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GOVERNMENT AND ADMINISTRATION

Prorogation and Opening of Parliament

REVIEW OF THE LAST SESSION

The Queen's speech on the prorogation of Parliament, summarising the work of the session, was delivered to both Houses of Parliament by the Lord Chancellor, Lord Hailsham, on 13 November.[1]

The text of the speech, with references to *Survey of Current Affairs* coverage in parentheses, is as follows:

My Lords and Members of the House of Commons,

My Husband and I were pleased to receive the State Visits of the President of Kenya in June 1979 (see pp 187-8, 1979) and of the President of the Republic of Indonesia and Madame Tien Soeharto in November.

We look back with much pleasure on the visits we have made. We visited Denmark in May 1979 (see p 145, 1979); and Tanzania, Botswana, Malawi and Zambia in July and August. As Head of the Commonwealth, I was present in Lusaka on the occasion of the meeting of the Commonwealth Heads of Government (see pp 216-22, 1979). In May this year we visited Switzerland and we have recently returned from visits to Italy, the Holy See, Tunisia, Algeria and Morocco. We were greatly saddened by the death in July this year of President Khama of Botswana.

My Government welcomed the independence of Kiribati (see p 189, 1979), St Vincent (see p 330, 1979), Zimbabwe (see p 155) and Vanuatu (see p 241), and their decisions to join the Commonwealth. Having brought Southern Rhodesia to independence in conditions of the widest international recognition (see pp 364-70, 1979; 67-8, 155), My Government have committed substantial aid to Zimbabwe's reconstruction and development (see pp 155, 288).

My Government attach the highest importance to ensuring the security of the nation and the maintenance of peace. They have played a leading role within the North Atlantic Alliance to ensure that the defence capability of the West is such as to deter any would-be aggressor (see pp 10-14, 206-9). British defences have been strengthened and action has been taken to improve the morale of the armed forces (see pp 96-101, 268-9). My Government have taken steps to maintain the effectiveness of Britain's nuclear deterrent into the 1990s and beyond (see pp 325-6, 1979; 233-4). Realistic, balanced and verifiable arms control measures have been sought in the Committee on Disarmament and in other negotiations (see pp 326-8, 1979; 266-8, 344).

In conjunction with the United Kingdom's partners and allies, My Government have sought to bring home to the Soviet Union the damage which its actions have done to East-West relations (see pp 50-4, 206-7, 351). My Government have played an active part in the international effort to enable Afghanistan to resume its traditional neutrality and non-alignment (see pp 15-18, 151, 206-7, 355-6).

My Government have sought to play a constructive part in the work of the European Community and in European political co-operation. Arrangements have been agreed to reduce substantially the United Kingdom's net contribution to the Community budget and our partners in Europe are committed to a thorough review of the development of Community policies and the operation of the budget (see pp 182-3, 346). My Ministers have secured level terms of competition for the agricultural industry under the Common Agricultural Policy and have been negotiating a revision of the common fisheries policy which takes account of the need to conserve fish stocks and to protect the interests of our fishermen (see pp 73, 183-4, 203-4, 289-90).

My Government have also worked for a negotiated peace in the Arab/Israeli conflict acceptable to all parties. Together with the other members of the European Community, they stated in Venice on 13 June this year the principles on which they believed such a settlement should be based (see pp 202-3). They are playing a full part in the action being taken to follow up this declaration.

The United Kingdom also took an active part in the discussion of international economic and political questions at the summit meeting of the leaders of the seven major industrialised countries held in Venice in June this year (see pp 213-16).

My Government have continued to co-operate in international efforts to solve the serious economic difficulties of many developing countries (see pp 289-92, 1979; 209-12, 240-1, 292-3). They have been active also in Commonwealth affairs and in the work of the United Nations and its specialised agencies (see pp 289-92, 292-3). Britain's contacts with countries in Latin America

[1] *Hansard (HL)*, Vol 414, No 208, cols 1562-8.

and elsewhere have been strengthened (see pp 123, 145, 187-8, 328-9, 1979; 14-15, 108-9, 242).

My Government have supported the efforts of the countries of the Association of South East Asian Nations to meet the threat posed by Vietnam's armed intervention in Cambodia (see pp 19-20, 316-17), and have taken a leading part in international moves to relieve famine and to care for refugees in South East Asia (see pp 224-8, 1979; 19-20). . . .

My Government have given priority to bringing down the rate of inflation through the pursuit of firm monetary and fiscal policies. A medium-term financial strategy has been published (see p 113), entailing a progressive decline in the growth of the money supply and fiscal policies consistent with this. Progress has been made towards securing a substantial reduction in the burden of official external debt during the lifetime of this Parliament.

Income tax has been cut significantly (see pp 196-7, 1979), with the object of restoring incentives and creating conditions in which commerce and industry can flourish. Plans for public expenditure have been published (see pp 123-30), showing progressive reductions in total but with increases on defence, law and order and health and social security.

My Government have introduced measures to free business and commerce from unnecessary controls and to assist exporters. Statutory control of dividends has been abolished (see p 196, 1979). Legislation has been passed to strengthen the control of anti-competitive practices in industry and commerce and to abolish the Price Commission (see pp 340-1, 1979). Steps have been taken to stimulate improvements in the marketing and export of agricultural and food products.

An Act has been passed to improve industrial relations and to bring about a fairer balance between the rights of employers, trade unions and individual employees (see pp 21-3, 77-9).

Measures have been introduced to stimulate enterprise and competition, to encourage the growth of new businesses and to reduce nationalised and state ownership. Steps have been taken to increase the efficiency and reduce the size of the Civil Service (see pp 179-80). Substantial private sector support has been obtained for the advanced factory programme in the assisted areas (see p 189). My Government have announced their intention to set up urban development corporations in the London and Merseyside docklands (see p 309, 1979) and enterprise zones in nine locations (see p 278), and the necessary statutory authority has been secured. Measures to strengthen industry in the regions have been concentrated in the areas of greatest need (see pp 265-6, 1979).

Legislation has been passed to allow British Aerospace, British Airways and the National Freight Corporation to be taken into the private sector (see pp 380-5, 1979), and to increase competition in the bus industry (see pp 383-5, 1979). An Act has been passed to modify the functions of the National Enterprise Board and the Scottish and Welsh Development Agencies (see pp 339-40, 1979; 26-7, 300). Legislative provision has been made to amend the financing of the National Coal Board and for the payment of certain grants to assist the Board (see pp 222-3).

My Government have implemented in full the recommendations on police pay of the Committee of Inquiry on the Police and have been pleased to see a substantial increase in the strength of the police service. An Act has been passed to establish a Police Negotiating Board for the United Kingdom (see p 95). The report of the Committee of Inquiry into the United Kingdom prison services was received and my Government have taken action on its main recommendations (see pp 148-9).

In Northern Ireland, my Government have made continuing efforts to combat terrorism and promote security within the normal framework of the rule of law (see pp 178-9, 259-60, 1979; 4). A conference of local political leaders has been held (see p 92) and, following the publication of some Proposals for Further Discussion *(see pp 199-201) a programme of extensive consultations has been undertaken, in pursuance of my Ministers' objective of returning power to locally-elected representatives on a basis acceptable to both parts of the community.*

Legislation has been passed to give public sector tenants in England and Wales and in Scotland an extensive right to buy their homes and a Tenants' Charter of Rights, and to provide measures to encourage short-term private lettings (see pp 56-9).

An Act was passed to provide, among other matters, for the relaxation of controls over local authorities in England and Wales, including a new and more flexible system for controlling their capital expenditure, for a fairer system for the distribution of rate support grant to local authorities, for the regulation of local authority direct labour departments, and for the repeal of the Community Land Act (see pp 69-70).

Legislation has been passed to remove the compulsion on local authorities in England and Wales to reorganise secondary schools on comprehensive lines; to give parents the right to express a preference for a school and to take part with teachers in school government; and to provide for a scheme to assist children of families of limited means to attend independent schools (see p 349, 1979).

Special employment and training measures have been taken to assist young people and others in a time of high unemployment (see p 82). Provision has been made for increases in social security benefits and contributions (see pp 137-41). A major reform of the supplementary benefit scheme has been initiated (see pp 393-4, 1979). Legislation has also been enacted to limit the increasing expenditure on social security (see p 265). My Government have published proposals for making employers responsible for sick pay during the early weeks of an employee's illness (see p 144).

An Act has been passed to assist the development of private medical care and improvements in health services. Steps have been taken to simplify the structure and management of the National Health Service (see pp 250-1, 1979; 257-8).

An Act has been passed to establish the National Heritage Memorial Fund (see p 78, 1979). Legislation to provide for a public lending right for authors has been brought into force. My Government have taken effective steps actively to encourage business sponsorship of the arts.

An Act has been passed to provide for the extension of the life of the Independent Broadcasting Authority for a further fifteen years; for the establishment by the Authority of a fourth television channel in England, Scotland and Northern Ireland, subject to strict safeguards; for the establishment in Wales of a Welsh Fourth Channel Authority with special responsibility for broadcasting television programmes in Welsh; and for the establishment of a Broadcasting Complaints Commission (see pp 84-6, 373).

My Government have substantially increased direct expenditure on support for the Welsh language. Legislation has also been passed to enable grants to be paid towards Welsh language teaching (see p 349, 1979).

Further provision has been made in Scottish legislation to continue financial support for air services in the highlands and islands and to improve criminal justice and the treatment of offenders in Scotland (see pp 339-41). . . .

PROGRAMME FOR THE NEW SESSION

The Queen's speech on the opening of the new session of Parliament – the second session of the forty-ninth Parliament of the United Kingdom – was delivered in the House of Lords on 20 November to members of both Houses.[1]

The text of the speech, which outlines the Government's policies for the coming session, is as follows:

My Lords and Members of the House of Commons,

I take great pleasure in the current State Visit of His Majesty the King of Nepal, and look forward to visiting later this month Belgium, the Commission of the European Communities, and the headquarters of the North Atlantic Treaty Organisation.

I look forward with equal pleasure to visiting Norway, Australia, New Zealand and Sri Lanka, and to being present in Melbourne on the occasion of the next meeting of the Commonwealth Heads of Government.

My Government believe that the best hope of lasting peace lies in the effective maintenance of Western security. They therefore attach great importance to defence and to contributing fully to the North Atlantic Alliance. They will continue to press for the complete withdrawal of Soviet troops from Afghanistan and for a political settlement acceptable to the Afghan people. Despite events in Afghanistan and Cambodia, they will continue to seek more stable East-West relations and will continue to work for effective measures of arms control.

My Government support the efforts of the European Community to work towards a just, lasting and comprehensive settlement of the Arab/Israel dispute. They view with grave concern the present conflict between Iran and Iraq and will continue to work with other Governments for an end to hostilities. They will continue also to support the United States Government in their efforts to find an early and peaceful solution to the prolonged illegal detention of the United States' diplomatic hostages in Iran.

Negotiations to find an internationally recognised settlement in Namibia in accordance with the United Nations' plan will continue.

My Government reaffirm their strong commitment to the European Community. They look forward to the accession of Greece on 1 January 1981 and to the prospect of further enlargement. They will play a full part in discussions to improve the Common Agricultural Policy and restructure the Community budget. They will continue to work for agreement on a revised common fisheries policy. Legislation will be introduced to amend the law about the Boundary Commissions' reviews of the European Parliament constituencies.

My Government confirm their commitment to the Commonwealth and the United Nations, and will continue to play a constructive role in their activities.

My Government recognise the serious economic problems that affect both developed and developing countries and will continue to work with other countries and international organisations in seeking to alleviate them. . . .

The need to bring down the rate of inflation and create conditions for a sustainable growth of output and employment remains the prime concern of my Government. To that end they will take all steps necessary to maintain firm monetary and fiscal policies.

Plans for public expenditure will take account of the need to restrict the claims of the public sector on the nation's resources. Special attention will continue to be given to the encouragement of new businesses and to measures to permit small firms to expand and prosper.

My Government, recognising the hardships and worries of those suffering unemployment, will proceed urgently with an expanded programme of employment and training measures for the unemployed, particularly the young. Proposals will be put before you for improving industrial training in the longer term and for supplying those skills which will be needed when industry moves out of the current recession.

Further proposals will be brought forward to reduce the scope of nationalised and state industry, and to increase competition. My Government will take steps to permit wider participation in the fortunes of the British National Oil Corporation. Measures will also be laid before you to replace public involvement in transport industries with further opportunities for private investment; and to reorganise the Post Office, to encourage better performance in postal services and to introduce greater competition in telecommunications.

Legislation will also be introduced to amend the financial arrangements for the National Enterprise Board, the Scottish and Welsh Development Agencies, and the Development Board for Rural

[1] *Hansard (HL)*, Vol 415, No 1, cols 1-4.

Wales; and to provide for a capital reconstruction of the British Steel Corporation.

Measures will be brought forward on company law and insurance.

My Government will continue to ensure that the nation's energy resources are appropriately developed and efficiently used. Legislation will be introduced to assist the conservation of energy and to impose a levy on the British Gas Corporation for specified gas purchases.

In Northern Ireland my Government will continue in its efforts to protect all members of the community against violence and terrorism, to foster its economic recovery, and to create arrangements for the government of Northern Ireland that will better meet the needs of all its people.

My Government are firmly committed to the maintenance of law and order in all parts of the United Kingdom. They will introduce legislation to improve the criminal law including repeal of the suspected person offence and will develop plans for giving effect to the proposals in the recent White Paper on young offenders.

A Bill will be introduced to change the law on nationality on the lines of the White Paper published last July.

Legislation will be brought forward to facilitate the education of children with special needs.

Measures to improve the law in Scotland relating to education and to local government and to protect wives' home rights will be laid before you.

My Government will propose measures to improve road safety.

Pensions, war pensions and other social security benefits will be increased on 24 November and reviewed again next year. Legislation will be brought forward to place a duty on employers to provide sick pay for their employees during the early weeks of sickness.

Legislation will also be laid before you to promote the conservation of wildlife and the countryside.

A Bill will be introduced to reform the law of contempt of court.

Other measures will be laid before you. . . .

Northern Ireland: Constitutional Development and Security

While reaffirming its belief that locally elected representatives should have a greater role in the government of Northern Ireland, the Government has concluded that there is not sufficient agreement between the political parties in the Province to justify bringing proposals to Parliament for setting up a devolved administration at this stage. It will continue to explore ways of making the government of Northern Ireland more responsive to the wishes of the people. The level of terrorist violence in the Province is continuing to decline.

For coverage of the recent UK-Irish talks, see the article on pp 356-7.

Constitutional Development

In response to questions in the House of Commons on 27 November (*Hansard*, Vol 994, No 6, cols 850-4) the Secretary of State for Northern Ireland, Mr Humphrey Atkins, said the Government believed that locally elected representatives should have a greater role in the government of Northern Ireland; for the past 18 months the Government had been seeking an acceptable basis for a transfer of responsibilities. Two Command Papers had been published, a political conference had been held, and extensive discussions had taken place with political leaders and other groups (see pp 359-60, 1979, pp 92 and 199-201). The Government had to conclude, however, that there was not sufficient agreement between the political parties to justify bringing forward proposals for setting up a devolved administration at this stage. The Government would now explore other ways of making the government of Northern Ireland more responsive to the wishes of the people and such alternatives could involve a progressive approach to the transfer of powers. The principles enunciated in the Command Papers would continue to apply and local political parties would be consulted.

Security

In answer to a question on the same day about the security forces in Northern Ireland (*Hansard*, Vol 994, No 6, col 844), Mr Atkins said that the overall level of terrorist violence had continued to decline.[1] The general improvement was due, in large measure, to the continuing efforts of the security forces. The role and capabilities of the Royal Ulster Constabulary, with continuing military support where necessary, was being steadily expanded. Since 7 August, 194 people had been charged with crimes associated with terrorism, including 19 charged with murder and 12 with attempted murder. In addition, 63 weapons and 14,848 rounds of ammunition had been recovered. Co-operation between the security forces in Northern Ireland and those of the Irish Republic continued to be very satisfactory. There had been a number of notable arrests and discoveries of arms and munitions in the Republic. Nevertheless, terrorist activity continued and there had been some increase in the number of sectarian attacks. Since 7 August, 21 people had died, including six members of the security forces. It appeared that three of the civilian victims may not have been intended targets of the terrorists, which showed, once again, the total lack of concern for human life by the terrorists.

[1]There has been a drop in terrorist violence over the last three years compared with the high levels of 1976 when deaths numbered 297, shootings 1,908 and bomb explosions 766. In 1979 the corresponding figures were 113 deaths, 728 shootings and 422 bomb explosions. The statistics for the first nine months of 1980 compared with the same period in 1979 were 61 deaths in 1980 compared with 82 in 1979; 502 shootings compared with 552; and 250 explosions compared with 354.

Criminal Justice (Scotland) Act 1980

The Criminal Justice (Scotland) Act 1980, which received Royal Assent on 13 November, is the first major Scottish criminal justice legislation since 1963. Its main purpose is to improve Scottish criminal justice and to provide adequate powers to the police in combating crime. Subjects covered by the Act include police powers, procedure and evidence, penalties, compensation by offenders, control of alcohol at sporting events, vandalism and homosexual behaviour.

Background

Most of the provisions included in the Act arise from reports of departmental committees of inquiry and are largely based on the recommendations of those committees and views expressed by interested bodies in the consultation that followed the publication of their reports. The committees concerned were the Thomson Committee, which produced three reports;[1] the Dunpark Committee on reparation by the offender to the victim;[2] the Bryden Working Group on identification procedure;[3] the Scottish Council on Crime;[4] and the McElhone Working Group on football crowd behaviour.[5]

MAIN PROVISIONS OF THE ACT

The main provisions are set out below.

Part 1 – Police Powers

Power to Require Suspect to Identify Himself

Section 1 introduces a specific power for a policeman who has reasonable grounds for suspecting that an offence has been or is being committed, to require a suspect to give his name and address and to ask for an explanation of the circumstances giving rise to suspicion. He may also require the suspect to remain in his presence long enough to verify the name and address given. It also introduces a power to require a potential witness to give his name and address. These powers may be exercised at the scene of the suspected crime, in any public place or any other place where the policeman is entitled to be. The policeman is required to inform the suspect or potential witness of the general nature of the offence which he suspects is being or has been committed, and to warn that it is an offence for either suspect or potential witness to fail to give his name and address or for a suspect to fail to remain in the policeman's presence when asked. The police will have the power to arrest without warrant any person they have reasonable grounds to suspect of committing such an offence.

Detention and Questioning at a Police Station

Until now, the Scottish police have not been entitled to arrest someone before they are in a position to charge him; and answers to any questions put after arrest and charge would not have been admissible as evidence at his trial. Section 2 gives the police power to detain for questioning, for up to six hours, any person they have reasonable grounds to suspect of committing an offence punishable with imprisonment. The power of detention may not be used more than once in relation to the same person for the same suspected offence. The police are required to tell the detained person the general nature of the suspected offence, the reasons for his detention and to inform him that he need not answer any question other than that of his name and address. The police are given the power to question a suspect, to exercise the same powers of search that are available on arrest and to take fingerprints. Reasonable force may be used to ensure compliance with requirements to accompany the police to a police station and to submit to search or fingerprints procedures.

Right of Suspect to have Someone Informed When Detained

Section 3 gives a person detained at a police station (under section 2) a right to have a solicitor, and one other person informed of his detention and whereabouts. It also gives an arrested person (who already has a right to have a solicitor notified of his arrest) a similar right to have one other person informed of his arrest. Section 3 requires the police as a general rule to send the information without delay, but allows the police to delay sending notification on occasions where the suspect would use this opportunity to warn accomplices or to have evidence destroyed. Special provision is made for children under 16 who are detained or arrested. Here the police must immediately inform the parents or guardian and allow them access to the child at the police station.

Power to Search for Offensive Weapons

Section 4 gives the police power to search anyone they have reasonable grounds to suspect of carrying an offensive weapon in public. The Act makes it an offence to obstruct a policeman in exercising this power and gives the police power to arrest without warrant any person they have reason to believe has committed such an offence.

Powers to Deal with Drunken Offenders

Section 5, together with section 56, makes provision for a new approach to the problem of alcohol-related offences in Scotland. Section 5 gives the police powers, for use as resources become available, to take a drunken offender to a specially designated place where his drink problem may be tackled, rather than arrest him. Section 56 abolishes imprisonment as a direct sentence

[1] *Criminal Procedure in Scotland (Second Report).* Cmnd 6218, 1975; *Criminal Appeals in Scotland (First and Third Reports).* Cmnd 5038, 1972; Cmnd 7005, 1977.

[2] *Reparation by the Offender to the Victim in Scotland.* (Cmnd 6802, 1977.

[3] *Identification Procedure under Scottish Criminal Law.* Cmnd 7096, 1978.

[4] *Crime and the Prevention of Crime.* Scottish Home and Health Department/HMSO, 1975. *Scottish Council on Crime Report on Fines.* Scottish Home and Health Department, 1974.

[5] *Report of the Working Group on Football Crowd Behaviour.* Scottish Education Department/HMSO, 1977.

for offences of drunkenness and increases the financial penalties for these offences.

Part 2 – Procedure and Evidence

Section 6 provides for the revival of the judicial examination – the stage at which a person arrested with a view to prosecution on indictment is first brought before the sheriff. The accused person has a right to be represented by a solicitor at a judicial examination and he may consult his solicitor before answering any question. The solicitor is also given a specific right to ask the accused person any question which is intended to clarify any ambiguity in his replies.

Included in the other provisions relating to procedure are those which: extend the jurisdiction of the district courts in order to ease the burden on the sheriff courts (section 7); tighten the present law on the prevention of delay in trials (section 14); extend the restrictions on reporting cases involving children under 16 years (section 22); reduce from five to three the number of permitted peremptory challenges of jurors in criminal cases (section 23); and allow for the provision of food and overnight accommodation for jurors (section 24).

The provisions relating to evidence include those which simplify the procedure for giving routine evidence (section 26); enable both prosecution and defence to examine each other's witnesses (section 27); provide that the spouse of an accused person may be a competent witness for the Crown without the accused person's consent in all trials (section 29); give the criminal courts power to receive evidence by letter of request or on commission in addition to that given personally (section 32).

Included in provisions relating to appeals are sections 32 and 34 which implement reforms of the procedure for both solemn appeals and summary appeals, and section 37 which gives the Lord Advocate power to refer to the High Court a point of law arising from a case in which the accused is acquitted.

Part 3 – Penalties

Part 3 contains several provisions designed to continue the policy of reducing the use of imprisonment in Scotland already given effect to in the Community Services by Offenders (Scotland) Act 1978 and the Bail etc. (Scotland) Act 1980.

Restrictions on Passing Sentences of Imprisonment

Under section 41 a court may not pass a custodial sentence on a person who has not previously been imprisoned unless he has had the opportunity to be legally represented at least for the proceedings between conviction and sentence. Under section 42 a court cannot pass a sentence of imprisonment on a person who has not previously undergone a custodial sentence unless it has considered a background report on him from a local authority social work department and is satisfied that no other method of dealing with him is appropriate.

Penalties for Homicide

Under section 43 a judge who imposes the mandatory life sentence for murder and recommends a minimum period of imprisonment to be served before the offender is released, will be obliged to record his reasons for so deciding, and there will be a right of appeal against a judge's recommendations on the minimum length of sentence to be served.

Detention of Young Offenders

Section 45 abolishes the indeterminate borstal sentence and envisages an increased use of short detention centre sentences. It provides that sentences of between 28 days and 4 months shall usually be served in a detention centre, but allows the court discretion, in passing the sentence, to order detention in a young offenders institution where it considers a detention centre sentence inappropriate. Longer or shorter sentences will be served in young offenders institutions.

Fines

Sections 47-52 contain provisions designed to remedy deficiencies in the existing fines procedures.

Part 4 – Compensation by Offenders

Sections 58-67 contain provisions for a system of compensation by the offender to the victim similar to that already in force in England and Wales. Under the provisions any criminal court in Scotland will be able to order an offender to compensate the victim of his crime for any loss, damage or injury incurred by the crime, without making it necessary for the victim to raise a separate civil action.

Part 5 – Sporting Events: Control of Alcohol

Sections 68-77, designed to tackle the problem of violence and disorder associated with sporting events, especially football, enable the Secretary of State to ban the carriage and consumption of alcohol by supporters at certain specified sporting events and on private hire coaches travelling to and from those events. While directed primarily at professional football matches and international rugby matches, the terms of the Act may be extended to cover other types of sporting events if necessary.

Part 6 – Miscellaneous and General

Vandalism

Section 78 includes the introduction of a new offence of vandalism. Until now this offence has been prosecuted under the name of 'malicious mischief' and has often not been prosecuted as such, but concealed under some wider offence such as breach of the peace. The new offence will now enable the courts to identify previous convictions of a similar nature.

Grants for Accommodation for Offenders under Supervision

Section 79 enables the Secretary of State to make specific grants to local authorities for expenditure incurred in providing hostels for adult offenders under supervision.

Homosexual Acts
Section 80 decriminalises homosexual behaviour in private between consenting adults (that is, those over 21) and thus brings the law of Scotland into line with that applicable in England and Wales under the Sexual Offences Act 1967.

Recent Legislation

The public Acts of Parliament passed in October and November before the end of the parliamentary session are listed below. One Act was introduced by a private member and is marked by an asterisk.

Broadcasting Act 1980 (see pp 84-6 and 373). Royal Assent: 13.11.80. Ch 64. ISBN 0 10 546480 5, HMSO, £3.

Civil Aviation Act 1980 (see pp 382-3, 1979). Royal Assent: 13.11.80. Ch 60, ISBN 0 10 546080 X, HMSO, £2·40.

Criminal Justice (Scotland) Act 1980 (see pp 339-41). Royal Assent: 13.11.80. Ch 62, ISBN 0 10 546280 2, HMSO, £4·90.

Highways Act 1980. Consolidates the Highways Acts 1959-71 and related enactments. Royal Assent: 13.11.80. Ch 66. Publication details were not available at the time of going to press.

Imprisonment (Temporary Provisions) Act 1980. Makes provision for the detention, and release from custody, of people who may be lawfully imprisoned in England and Wales; makes provision for reducing the numbers committed to prison, and modifies the law relating to remands. (This temporary measure, which remains in force for one month and is then renewable monthly, has been made necessary by the industrial action taken by the Prison Officers' Association. It will be repealed at the end of one year unless extended by Parliament.) Royal Assent: 29.10.80. Ch 57, ISBN 0 10 545780 9, HMSO, £1·40.

Law Reform (Miscellaneous Provisions) (Scotland) Act 1980. Amends the law in Scotland relating to juries, to trusts, factors and successions, to the sheriff court and other miscellaneous matters. Royal Assent: 29.10.80. Ch 55, ISBN 0 10 545580 6, HMSO, £2·40.

Limitation Act 1980. Consolidates the Limitation Acts 1939-80. Royal Assent: 13.11.80. Ch 58, ISBN 0 10 545880 5, HMSO, £2·70.

Local Government, Planning and Land Act 1980 (see pp 69-70). Royal Assent: 13.11.80. Ch 65, ISBN 0 10 546580 1, HMSO, £9·30.

**Married Women's Policies of Assurances (Scotland) (Amendment) Act 1980.* Extends section 2 of the Married Women's Policies of Assurances (Scotland) Act 1880 to policies effected by married women or unmarried persons. Royal Assent: 13.11.80. Ch 56, ISBN 0 10 545680 2, HMSO, 70p.

Overseas Development and Co-operation Act 1980. Consolidates certain enactments relating to overseas development and co-operation. Royal Assent: 13.11.80. Ch 63, ISBN 0 10 546380 9, HMSO, £2·10.

Statute Law Revision (Northern Ireland) Act 1980. Revises the statute law of Northern Ireland by repealing obsolete enactments. Royal Assent: 13.11.80. Ch 59, ISBN 0 10 545980 1, HMSO, £2·10.

Tenants' Rights, Etc. (Scotland) Amendment Act 1980. Amends the Tenants' Rights, Etc. (Scotland) Act to take account of similar amendments (applying to England and Wales) made to the Housing Act 1980. Royal Assent: 13.11.80. Ch 61, ISBN 0 10 546180 6, HMSO, 70p.

EXTERNAL AFFAIRS AND DEFENCE

Britain's Foreign Policy

The nature and objectives of Britain's foreign policy in an increasingly uncertain international situation were outlined by Britain's Prime Minister and other ministers in November.

The international situation and the response it demanded from the West were discussed by the Prime Minister, Mrs Margaret Thatcher, in a speech at the Guildhall, London, on 10 November. (For those parts of the speech which dealt with economic matters, see pp 324-5.) These matters, together with Britain's own foreign policy objectives, were also the subject of ministerial speeches in the debate on the Queen's Speech: by the Lord Privy Seal, Sir Ian Gilmour, in the House of Commons on 24 November (*Hansard*, Vol 997, No 3, cols 340-52); and by the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, and a Government Whip, Lord Trethgarne, in the House of Lords on 26 November (*Hansard (HL)*, Vol 415, No 3, cols 98-104 and 186-92, respectively).

THE INTERNATIONAL SITUATION

Addressing herself to the 'much more uncertain era' now prevailing in international affairs, Mrs Thatcher suggested that there were few people who harboured any illusions about the international prospects for the next few years. Gone were the days when the only two significant groups were the West, led by the United States, and the Soviet bloc. International authority had fragmented, more and more countries were in a position to put world peace at risk, and experience suggested that it would be some time before governments everywhere learnt the necessity for restraint and for the reasoned settlement of disputes. Today, statesmen had to conduct policy in a world of accelerating change and ceaseless conflict, a shrinking world in which every international problem seemed to interact with each other. All this, combined with the varied nature of the international community and the diverse aspirations of some of its members, meant that political upheavals and military clashes would continue to occur in critical parts of the world frequently and without warning. There was also the 'scourge of international terrorism'. On this point, Mrs Thatcher stated: 'There are people exercising power in a few countries and leading political factions in others who seem to be moved by narrow, brutal and irrational impulses. Their view of their own self-interest is so blinkered as to leave no space for purely human values, for peaceful negotiation or for economic advancement. They are bent on the destruction of the established order and of civilised ways of doing business. They must never be allowed to succeed.'

Soviet Policy

No single set of ideas or motives could explain the present disorder, but the Soviet Union, which had 'chosen to exploit instability to gain influence' had much to answer for. In the past five years it had intervened by proxy in Angola (see pp 104-6, 1976), Ethiopia (see pp 119-20, 1978), Southern Yemen and Cambodia (see pp 19-20 and 316-17), and was now using its own arms to impose a puppet regime in Afghanistan (see pp 355-6). It was difficult to believe, Mrs Thatcher said, that the Soviet Government was unconscious of the dangers to which their present policies exposed the international community. It was often claimed – in her view quite wrongly – that the Soviet Union's actions were essentially defensive. Even if this were the case, however, it must surely be clear to the Soviet leadership that it was playing with fire. She hoped that it would think again, and that there would be no more interventions. Responsible policies would be at a premium in the 1980s, but evidence of a willingness to pursue them would not go unheeded.

The West's Response

In response to the prevailing instability, the West had to do all it could 'to promote peaceful as opposed to violent change, evolution as opposed to revolution'. If it succeeded, the risks of interference by and therefore of confrontation between the great powers would be diminished. The temptation to interfere had to be reduced, and with this in mind Mrs Thatcher suggested that Britain, together with its partners in the European Community, its allies in the North Atlantic Alliance and its other friends, should collectively undertake the following courses of action.

1 Make a greater effort to co-operate closely in dealing with present problems; in trying to foresee future troubles; and in preparing a response. To wait until things happened would mean being too late.

2 Develop the ability to assist friends when they were threatened; to be seen as reliable partners when help was needed.

3 Help to solve regional problems like those in Southern Africa, the Middle East and South West Asia. (Referring to the danger of believing that these issues could be lived with, Mrs Thatcher warned that some of them involved the future of the West, and that if they became critical the West would suffer.)

4 Strengthen the key countries in the Third World.

5 Continue to help the less well-off countries to develop their own resources and to raise their standards of living. Poverty, wherever it existed, was an enemy of stability.

BRITISH POLICY OBJECTIVES

Recognition that Britain lived in an increasingly interdependent world lay at the heart of the Government's foreign policy, Lord Trethgarne told the House of Lords. In economics, as in defence, it could not and did not wish to take refuge from the realities beyond Britain's shores. Britain's foreign policy therefore served two vital purposes: 'The first [was] to ensure the safeguarding and promotion of British interests more and more in conjunction with [its] European partners, by means of bilateral contacts and exchanges of every kind. The second purpose, no less important, [was] the maintenance of [its] contribution to the diplomatic arm of the Western alliance, which [was] . . . the essential complement to the military.' Taking up this point in the House of Commons, Sir Ian Gilmour said that the Atlantic Alliance and the European Community, the bases of British foreign policy, were 'the indispensable framework within which successive British Governments [had] organised the defence and promotion of [Britain's] national interests'. The present Government had no doubt about their value and would work to strengthen them.

Another foreign policy theme mentioned by Lord Trethgarne was the strengthening and extension of Britain's relations with the Third World through the many multilateral contacts it maintained in various international fora, notably the United Nations, the World Bank, the various Commonwealth conferences and the Lomé Convention.

East-West Relations

Pointing to East-West relations as a major area of uncertainty, Lord Carrington explained that the hopes for stability and détente that had grown in the early 1970s had been dealt repeated blows in the latter years of that decade, especially by the Soviet military build-up in Europe and by Soviet opportunism in the Third World, above all in Africa. Its invasion of Afghanistan, however, had gone beyond anything in recent experience, creating a crisis in super power relations, presenting a challenge to lesser nations allied to the super powers, and shaking the whole foundation of international trust and confidence. The invasion was an attempt to impose a military solution on a political problem, and it had failed. What was required now was a political solution for the military problem that had been created, and Britain, with its partners in the European Community, had proposed such a solution. [In April, at Britain's suggestion, European Community foreign ministers suggested a neutral Afghanistan free from competition among the powers as a solution to the problem – see pp 73-4.] There was more than one way of arranging this, but two things were essential: the withdrawal of Soviet troops and that the Afghan people should be left free to choose their own government and to manage their own affairs. These were two of the points in the recent United Nations resolution, which had obtained more support than an earlier resolution in January (see p 355). Compliance with these resolutions would remove a great stumbling block to East-West relations.

At the same time, Lord Carrington considered, it was important to keep the channels of communication with the Soviet Union open, for political solutions required the maintenance of political contacts. Britain wanted to see good relations between the super powers and the achievement of confidence-building measures in the military field, and any other measures which would lead to a genuine reduction of tension in Europe.

Eastern Europe

Britain was a European power, and because Europe was still the key area of contention between East and West, it was in Europe that Britain should focus its main effort. It would be naïve, Lord Carrington commented, to expect that the barriers that divided Europe would soon disappear, but they were far from impenetrable. Britain, he suggested, had perhaps tended to neglect the opportunities in central-eastern and south-eastern Europe, and it was in its interests, economic and political, to put this right. The recent ministerial visits to the German Democratic Republic, Bulgaria, Czechoslovakia, Romania, Hungary and Poland had been of interest and value, and he hoped that these contacts would deepen and widen in the future.

With regard to the situation in Poland, the British view was that the Polish Government and people should themselves resolve the great questions that faced them. Britain had no other thought than this. Lord Carrington hoped that this was also true of every government, for the consequences would be grave if the contrary should prove to be the case. His recent visit to Poland had left him hopeful that the Polish Government and the leaders of the free trade unions could work together on the problems confronting them. He hoped that they would succeed, for a peaceful and prosperous Poland was strongly in the interests of everyone.

CSCE

Referring briefly to the Madrid review meeting of the Conference on Security and Co-operation in Europe (CSCE, see pp 351-5), Lord Carrington said that Britain had insisted on a full review of

implementation because it took the aims of the Helsinki Final Act seriously. It was a delusion to suppose that the future could be built without facing up to the past and the present. 'To combine amnesia with myopia [was] not a formula for gaining security or true co-operation.' Britain would put forward proposals on how the Final Act could be better implemented in the future, and seek progress on military security, human contacts and the flow of information. Lord Carrington, however, did not 'expect great strides forward at a time when barriers to the movement of people and ideas, which had been lowered, [were] being raised again by the East: and barriers [were] going up within Eastern Europe itself'.

Defence and Deterrence

The recent setbacks to East-West relations had made it more important than ever for Britain to have the military capacity to defend itself, and Lord Trethgarne stressed that the Government could not and would not overlook the need to ensure that any potential aggressor remained convinced of Britain's ability to inflict unacceptable damage upon it should it choose to launch an attack on Britain. Britain's nuclear capability, together with that of the rest of the North Atlantic Treaty Organisation (NATO), was designed to deter, and were it ever used then the policy would have failed. This would mean that the aggressor had calculated that the damage that Britain could inflict upon it was acceptable. From this, it followed that if Britain's capability were allowed to be reduced either by obsolescence, or location or numerical strength, to a level below that minimum, annihilation would be rendered more and not less likely. It was the Government's duty, therefore, to maintain Britain's military preparedness at an adequate level.

It was to achieve this, Sir Ian Gilmour explained, that the Government was improving the effectiveness of the Polaris submarines by means of the Chevaline programme (see p 97) and had decided to replace Polaris with Trident in order to maintain Britain's independent deterrent into the 1990s and beyond (see pp 233-4). It was also introducing a new main battle tank, Challenger (see pp 233-4), to counter the growing power of Warsaw Pact forces in Europe. (Lord Carrington also drew attention to the agreement to base United States cruise missiles in Britain as part of Britain's contribution to NATO – see p 209.) These measures were not cheap, and had had to be taken at a time when there was a severe shortage of resources in many other sectors. But a credible defence was not an alternative to schools, housing and social services. It was a guarantee of Britain's security and way of life. In 1979-80, therefore, the Government had raised defence spending by 3 per cent in real terms, in line with the NATO target. In each of the next two years, it was expected to grow by some 2·5 per cent.[1]

The foundation of Britain's security was the Atlantic Alliance and, referring to the determination of the United States President-elect, Mr Ronald Reagan, to restore the military balance with the Soviet Union, Lord Carrington welcomed Mr Reagan's commitment to a strong NATO. With regard to the need for consultation in the Alliance, the Foreign Secretary said that a determined effort had been made to improve this since the invasion of Afghanistan, and it was essential that these efforts should continue. He welcomed the importance attached to this question by Mr Reagan and his advisers.

Though Britain's defence effort was concentrated on Europe, it was also prepared, Lord Trethgarne stated, to contribute what it could to the protection of Western interests outside NATO's boundaries. Other allies, if able, should also contribute, and he welcomed the establishment by the United States of a rapid deployment force as a valuable contribution to deterring further Soviet encroachment and threats to vital Western interests.

Arms Control and Disarmament

The Government's commitment to the pursuit of arms control and disarmament was reaffirmed by Sir Ian Gilmour, this being an essential part of its wider security policy. Arms control, however, could not be negotiated from weakness. The right course was to explain that no-one could win the arms race, and that both sides should call a halt and together decide on a step-by-step process to maintain the balance at a lower level of expenditure and armaments. In this context, Sir Ian welcomed the talks between the United States and the Soviet Union on theatre nuclear forces, and said that Britain would continue to play its part in the negotiations for a comprehensive test ban treaty and on mutual and balanced force reductions in Europe.

The Middle East

Of the long-standing regional disputes, none should, or did, cause more concern to Europe than that between Israel and the Arabs. The European Community, therefore, would continue its effort in search of a solution which, Sir Ian Gilmour believed, should be based on the principles set out in the Community's Venice declaration of June (see pp 202-3). It would be to this end that Community consultations with the parties and with the United States would be directed (see also pp 349-50).

As for the Iran-Iraq conflict, which was a matter of immediate and grave concern, Lord Carrington said that it was difficult to foresee an early solution. The elements for an agreement were there, however, if the combatants decided to call a halt to hostilities. Though the influence which Britain could bring to bear was limited, it was prepared to assist in any way it could and would continue to work for a limitation both of the conflict and of the damage to its direct interests. Britain would not take sides in the conflict, desiring good relations with both sides. However, Lord Carrington added, the British Government still deeply deplored the continued holding of the United States hostages by Iran (see pp 184-5); and was also seeking an early release of British

[1]The NATO target, adopted in 1978, recognises that for some countries economic circumstances will affect what can be achieved in raising defence spending.

citizens detained in that country without trial or consular access (see footnote, p 287).

Namibia

Turning to the recent negotiations on Namibia, Lord Carrington said that, in a report to the United Nations Security Council on 24 November, the UN Secretary-General, Dr Kurt Waldheim, had proposed that all the parties concerned should meet in January 1981 to secure agreement on the few points outstanding of the United Nations plan (see pp 152-4, 1979). These included the composition of the military component of the United Nations force, and a date for the ceasefire. On the basis of his consultations, Dr Waldheim had proposed that the latter should take effect in March 1981. These were promising developments, and Lord Carrington hoped that the parties would continue to show the qualities of forbearance, skill and willingness to compromise which they had exhibited in recent months, since these would be required if the January meeting were to be successful.

Development Assistance

The British Government, Mrs Thatcher told her Guildhall audience, was not only fully aware of the human, economic and strategic reasons for helping the world's poorer nations, but was also acting on these reasons and doing so more effectively than many others. The total flow of resources, public and private, from Britain to the developing countries was second only to that of the United States, and, over the last few years, this flow had grown far more rapidly than that of any other industrialised country. As for Britain's official aid programme, this was the fifth largest among the industrialised countries; represented a larger proportion of gross national product than those of the United States, the Federal Republic of Germany or Japan; and as much as two-thirds of it went to the poorest countries. The recent reductions in aid expenditure, Mrs Thatcher explained, had been made in the belief that unless a healthy British economy were restored, Britain would be in no position to give aid to anyone. (For further information on British aid policy and related matters, see pp 357-60.)

The European Community

Referring to the programme which he had outlined for the development of the European Community in a speech in Hamburg on 17 November (see pp 346-7), Lord Carrington said that Britain wished to see the Community grow not so much in size but in strength and influence and also in quality. He hoped also that as the Community came to speak with a unified voice, so its relations with the United States would be strengthened rather than weakened. With its many links of culture, language and history with the United States, Britain was equipped to make a special contribution to this process. The Government's objective was to work for a strong Europe acting in close partnership with a strong America. The twin pillars of this alliance would provide the best support for a structure for peace and the surest way of safeguarding Britain's vital interests.

Britain in the European Community

The Government's full commitment to the European Community has recently been emphasised by British ministers. The Prime Minister, Mrs Margaret Thatcher, made this one of the main themes of her visits to the Federal Republic of Germany and France in November, and, speaking in Hamburg on 17 November, the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, described membership of the Community as fundamental to Britain's foreign policy and increasingly to its domestic policies. Britain, he said, wanted to collaborate with its partners on a programme for Europe in the 1980s, and in particular sought a restructured Community budget based on a reformed and slimmed Common Agricultural Policy; a lasting solution to the budget problem to ensure that no member state would feel the cost of membership to be greater than its benefits; a completion of the common market with free movement of goods, people and services made a reality; successful negotiations with Spain and Portugal on enlargement; and the strengthening of political co-operation in foreign policy. The British attitude to the Common Agricultural Policy was set out in detail by the Minister of Agriculture, Fisheries and Food, Mr Peter Walker, in a speech in Brussels on 17 November.

BRITAIN'S COMMITMENT TO THE COMMUNITY

In an interview on Federal German television on 12 November, Mrs Thatcher said that the greater part of British trade was being orientated towards Europe, that most British political co-operation was bound up with Europe and that withdrawal from the Community would be damaging to jobs and employment in Britain. Later, in an interview on French radio on 15 November, Mrs Thatcher stressed that Britain was bound by the Treaty of Rome and would adhere to it: this did not mean that the Treaty had to remain totally and utterly unchanged, for any institution or organisation had to adapt to changing circumstances. Any changes would have to come by agreement between all the member states. In his speech in Hamburg, Lord Carrington said that membership of the Community was fundamental to Britain's foreign policy and increasingly to its domestic policies: 'The more Europe has a voice in the world's affairs, the better Britain's own interests will be served. And the stronger Britain can become, the stronger Europe will be.' Similarly, in a speech in Edinburgh on 12 November, Lord Carrington said that, while there was some dissent in Britain regarding membership of the Community,[1] there would not be 'any wavering of purpose in the Government's own policy which [remained] entirely steadfast'. The political case for British participation in the Community was overwhelm-

[1]At the Labour Party Conference in Blackpool in October a motion was passed urging the Party to make the withdrawal of Britain from the Community a priority in its next general election manifesto.

ing: 'A strong and united Europe is a stabilising force in an increasingly unstable world. Membership of this unique club of developed and powerful nations provides each [member state] with a position of international influence to which [it] could not aspire on [its] own.' Moreover, states outside the Community sought to cultivate their political and economic relations with it.

Total commitment to the principle of membership, however, Lord Carrington explained in Edinburgh, did not mean total acceptance of all the Community's present policies or the sacrifice of vital national interests. The only way to protect these interests was from 'a firmly established position' inside the Community, for, at the present stage of development, Britain had 'a real opportunity to help forge new Community policies and to reform existing ones to [its] own benefit and to that of the Community as a whole'. If Britain were to exploit this opportunity to the full, it had to demonstrate beyond doubt to its partners that its commitment to the Community was wholehearted and that British determination to work for reform was 'not just dictated by narrow considerations of national interest, but by concern for the future well-being of the Community'. Britain had to show other member states that its approach was 'imaginative and constructive' and that it had a contribution to make.

TRADE AND EMPLOYMENT

Lord Carrington reminded his Edinburgh audience that 43 per cent of British exports in the first half of 1980 went to Community countries compared with 30 per cent in 1972. Seven of Britain's top export markets were in the Community, and the Federal Republic of Germany had replaced the United States as Britain's principal export market. The ratio of British exports to the Community to its imports from it had risen from 70 per cent in 1975 to 94 per cent in the first half of 1980.[1] This was not all due to North Sea oil; for example, exports of British foodstuffs to other member states now equalled about half Britain's food imports from them, as against less than 20 per cent before entry. Britain's trading performance with its partners had steadily improved against a background of deterioration in its trade world wide. Tariff-free access to an export market of 260 million people could only bring advantages to an industrial workforce as dependent upon exporting as that in Britain. Moreover, British membership of the Community and the access it gave to a wider market was the most compelling reason, and an essential condition, for many foreign companies investing in Britain.

THE COMMUNITY BUDGET

Commenting in Hamburg on the May 1980 agreement concerning Britain's contribution to the Community budget (see pp 182-3 and 314-15), the Foreign Secretary said that it was 'doubly significant in that it not only recognised that the budgetary imbalance which had arisen was rightly unacceptable to Britain but also that it was contrary to the good of the Community as a whole'. The Community had recognised that the long-term solution to the problem had to be sought by 'fundamental structural changes to the Community budget'; a basic purpose was to prevent 'unacceptable situations arising again for any member state whether before or after enlargement'.

Observing that its financial structures had to be in good shape if the Community were to make progress, and that its budgetary mechanisms had to work smoothly, the Foreign Secretary said that the task was 'to find ways of curbing excessive or wasteful expenditure while working for a mix of policies designed to produce a more equitable balance of cost and benefit to all'. If the present pattern of Community expenditure continued, the existing ceiling of 1 per cent of member states' revenues from value added tax would be reached within the next two years. Britain believed that the Community budget had to 'be subject to the same kind of financial discipline as any other budget' and that holding to the 1 per cent ceiling offered 'the only chance of achieving a sensible and lasting reform of the Community's expenditure'. The Community could not just spend its way out of present difficulties by authorising further increases: exhaustion of its 'own resources' had to be a spur towards a restructuring of the budget which ensured that funds were channelled to the right objectives.[1]

A fundamental objective of the Treaty of Rome was that member states should work to achieve the convergence of their economies, but the role of the Community budget in this task had been 'negligible'. However, if savings could be made in the Common Agricultural Policy, 'the proportion of the budget devoted to policies designed specifically to help the less prosperous member states [could] grow'. Policies such as the Regional and Social Funds were of 'particular concern' to Britain and its citizens; there was 'scope for improvement in the operation of these Funds as well as for the development of policies in other fields such as transport infrastructure, urban redevelopment and energy, in particular the development of coal where Europe [had] vast under-utilised indigenous resources'.

AGRICULTURE

Noting that Britain had often been accused of wanting to destroy the Common Agricultural Policy (CAP), Lord Carrington said that the CAP was 'part of the fabric of the Community' and that the British Government did not contest 'the existence of the Policy and the need to work together to make it function effectively'. There was nothing at all wrong with the objectives set out in the Treaty of Rome – enhanced productivity, secure supplies, fair returns for farmers and reasonable

[1]In a written answer to a parliamentary question on 1 December (*Hansard*, Vol 995, No 8, written answers, col 15), the Secretary of State for Trade said that the export/import ratio for Britain's trade with the Community was 98 per cent in the first ten months of 1980.

[1]The Community is financed through its 'own resources' consisting of duties on imports from outside the Community, levies charged on imported agricultural products, and the yield of a notional value added tax rate of up to 1 per cent on a harmonised Community base.

prices for consumers. The Policy had gone 'a long way towards fulfilling a number of these objectives'. The Community had been spared the shortages afflicting so many parts of the world, and fluctuations in the prices of many basic foodstuffs had been avoided. Thanks to the Community's agricultural productivity, it had been able to alleviate shortages in other parts of the world.

Things had, however, gone wrong with the Policy. The surpluses and the cost overruns that had become an endemic part of it had not been intended by those who had designed the Policy, and their continuation could not be tolerated in a period of financial stringency. Nor had it been intended that 'between two-thirds and three-quarters of the whole Community budget should go on agriculture, with some 80 per cent of that going to the storage and disposal of surpluses'; or that subsidised Community butter should be sold to the Soviet Union at a quarter of the price paid by consumers in the Community. To refuse to tackle these problems was 'to condemn the CAP to eventual collapse'. The principal objectives of reform had to be the preservation of a healthy European Community agricultural industry; the reduction of agricultural expenditure as a proportion of the Community budget; the elimination of structural surpluses, especially in the milk sector; and movement towards prices for products which would result in the production of the food needed (to eat, to export without subsidies, to give away to prevent famine in developing countries, and to provide a good store to guard against bad harvests) and no more.

Britain was under no illusions about the difficulties of achieving satisfactory reform, Lord Carrington said: there were no 'magic solutions', and it probably did 'not make sense to look for one single overall scheme'. The changes required would take time to work, but, provided something was achieved immediately and the Community adopted, and adhered to, medium programmes to achieve further improvement, the corner would have been turned.

Mr Walker's Speech

In his speech in Brussels Mr Walker also spoke about the CAP, which, he said, had resulted in expensive and unwanted surpluses, had dominated the Community budget and had placed an unfair cost on the British taxpayer, now much lessened by the May budget settlement. Britain would continue to look for improvements in the Policy, and in the latter half of 1981, when it would be presiding over the Council of Ministers, the Government would be using its presidential influences to seek 'creative changes'. However, the system had first to be understood if it were to be improved, and actions could not be based 'upon popular myths'.

Commenting on the view that the CAP had deprived other European policies of funds, Mr Walker said that there were 'no other policies organised on a European basis' and that if industry or energy were organised on a European scale they would be 'far more expensive'. Instead the vast costs of these policies were borne by national governments. If Britain were not part of the CAP, substantial national funds would be invested in British agriculture, as happened before it became a member of the Community. The total costs had to be put into perspective; under the CAP agricultural expenditure represented only about half of 1 per cent of the Community's gross domestic product and its cost was equal to about 3·5 per cent of household expenditure on food. For this payment Britain received a security of food supplies and a stability which it would not otherwise enjoy.

Progress was being made in reducing surpluses; at its peak the Community had had 1·5 million tonnes of milk powder in intervention and this had been reduced to 230,000 tonnes. Similarly, the 390,000 tonnes store of butter had been reduced to 170,000 tonnes. Eighteen months ago the sugar surplus had been 'a heavy financial burden' on the Community but now the European sugar price was below the world price, the Community benefited from levies on exports, and Community consumers were paying correspondingly less for their sugar. The Community had to decide both upon its own and world requirements for each product. A large and unwanted dairy surplus was indefensible but it was right for the Community 'to have a security of supply of a basic product such as grain'. It was a strength to be insulated from bad harvests and world grain shortages and to have a commodity in store that could easily be disposed of throughout the world.

Noting that the number of consumers in the world could well rise by 50 per cent within the next 20 years, Mr Walker said that there was no 'easy solution ... of jettisoning ... support for European agriculture in order to buy at the world's cheapest prices'. Such a concept was an illusion: the world trade in butter, for example, was only 6·7 per cent of world production, and that in beef only 3·7 per cent. In such spheres there were 'residual markets providing price opportunities on a highly erratic and uncertain basis' and these were no foundation on which to provide consumers with a secure and better long-term deal. The consumer obtained 'a far better advantage' by having a Community agriculture that guaranteed supplies and improved standards of efficiency and investment.

Turning to reforms in the CAP Mr Walker said that, because of the nature of farming, changes needed to be planned and organised within a four- or five-year period. A method had to be agreed for reducing the dairy surplus, and other types of agricultural production had to be found which were more suited to European and world demand. The key to tackling the problems of the CAP was the achievement of a longer term strategy with a sound foundation, and the British Government would be pursuing this during 1981.

COMMON MARKET

Many of the Community's activities called for virtually no expenditure, Lord Carrington said in Hamburg, and it was a great mistake 'to judge the effectiveness of Community policies solely by the amount of money spent on them'. It was high time that the common market for goods and

services was made a reality. There were 'far too many barriers to the free movement of goods' and to the freedom of service industries in one member state to operate in another; an example was the insurance industry 'where progress towards liberalisation and the breaking down of national barriers [remained] relatively slow'. Progress in such fields 'would help to bring home to the general public that the common market [was] a reality and a beneficial one'. The Treaty of Rome could not contribute to its long-term aim of a more unified Europe 'when its specific objective, the common market, [was] still so imperfect'.

There were also obstacles to free interchange of people within the Community, continued Lord Carrington. Work needed to be accelerated on the mutual recognition of professional and academic qualifications while keeping a hold on standards; the general assumption had to be that engineers, insurance brokers, veterinary surgeons, dentists or professors were as good in one member state as in another. Britain also wanted to see greater interchange between member states' educational systems 'as an integral part of language and other courses'. In addition, the British Government wanted greatly simplified procedures at frontiers within the Community and would work positively for progress on this.

Another area where Britain desired progress was easier travel and transport. Road transport arrangements within the Community were still restrictive and the existing high scheduled rates for European air travel were 'a scandal'. It often cost as much to fly a few hundred miles between European cities as it did to cross the Atlantic. Why, Lord Carrington asked, should rates be higher per mile within the Community simply because a frontier was crossed? The whole purpose of the Community surely was 'to abolish such arbitrary distinctions'.

More could also be done in the social security field. Britain believed that health care should be extended to all citizens travelling to other Community countries: if this could be achieved whole sectors of the population – students, handicapped people, and self-employed people – would be able to receive urgent medical treatment in another Community country free or at reduced cost.

ENLARGEMENT OF THE COMMUNITY

Lord Carrington said that Britain's consistent support for enlargement of the Community stemmed very largely from the desire 'to enhance the meaning and the weight of Europe'. The negotiations on enlargement were bound to be difficult and the financial implications had to be considered, but Britain remained convinced that the case for enlargement was still valid.[1]

EXTERNAL POLICIES

The Community, Lord Carrington observed, provided its members with a framework within which they could best 'defend overseas interests and promote joint policies on the international stage'. There was ample proof that Europe acting together could accomplish far more than its individual parts acting separately; examples were the multilateral trade negotiations of the General Agreement on Tariffs and Trade, the Lomé Convention with developing countries in Africa, the Caribbean and the Pacific (see p 322, 1979), the Community's dealings with Japan, and its developing relationships with the Association of South East Asian Nations, India, Pakistan and Bangladesh (see pp 109–10). The British Government wanted Europe's voice to be heard in the world and was convinced that 'a more active and self-confident Europe [would] be a force for peace and prosperity and a valid partner to . . . other Western allies, the United States in particular'.

With regard to the North-South Dialogue, the Foreign Secretary said that a collective response was needed combining 'the right blend of the business-like and the compassionate', while remaining realistic and effective. What was important was to find out what each country really required, for, while the very poorest would continue to need aid on concessionary terms, others needed loans from the commercial banking sector, or investment in new industries, or markets for their products. The Community had to find a response to these problems, for its member states had the expertise and no 'ulterior motives that [made] so many Third World countries understandably suspicious of the aid . . . sometimes offered from other quarters'.

Political Co-operation

The Community faced an outside world where there was 'growing disorder, growing extremism, and increasingly frequent violations of international law'. In the last year alone, Lord Carrington said, there had been the invasion [by the Soviet Union] of a helpless non-aligned state [Afghanistan], the continued imprisonment [in Iran] of diplomats taken as hostages, and the war [between Iran and Iraq] in an area of vital interest to the West. It was of the utmost importance that the countries of Europe should work together, for they could set 'a powerful example of democracy, economic rationality and human rights', be 'a force for stability, moderation and international order', and defend and further their interests; these things could only be achieved, however, if member states acted together.

The Community had the potential to play a role in world affairs for it had some 260 million people (300 million after enlargement), was the world's largest trading bloc, and was in some respects as large and potentially as important as the super powers. Other assets were member states' long historical experience of international affairs and their strong diplomatic tradition, the many well-established relationships with other countries, not least the United States, and the unique relationship established with former dependencies in Africa, the Caribbean and the Pacific in the framework of the Lomé agreement.

Events in Afghanistan, Iran, the Middle East and the Gulf, Lord Carrington said, had demonstrated the importance of the Community's political co-operation machinery [which works outside

[1]Greece will become a member in January 1981, and negotiations with Spain and Portugal are taking place.

the framework of the Treaties] but had also shown its weaknesses at its present stage of evolution. British foreign policy had to be conducted essentially within a European framework but this had 'to be strong enough and flexible enough to respond rapidly to the challenges of the world today'. Member states had 'to find ways of co-operating more closely and of committing a greater part of [their] national diplomatic efforts to the furthering of Europe's common objectives'. In addition, the present *ad hoc* methods and improvised organisation could not go on for ever, as political co-operation required 'the support of an experienced foreign policy staff, perhaps seconded temporarily from member states, which would enable it to give a stronger lead to the Community'. This staff needed to be of high quality but not necessarily large in number.

Another problem that had to be tackled was the member states' slowness to react. Three weeks had passed after the invasion of Afghanistan before Community foreign ministers had discussed the situation and the Community's reaction to it. This sort of pace was inadequate in the 1980s and that was why Britain had suggested a procedure for convening meetings automatically within 48 hours if any three member states believed that there was a crisis requiring rapid consultations. The political commitment of member states to consultation, co-operation and joint action was most important, and an opportunity had been given by a recent decision of Community foreign ministers to re-examine the machinery of political co-operation. The task before the Community was twofold, namely to decide on Europe's role in the world and to equip itself with the organisation needed to play that role effectively.

COLLABORATION BETWEEN MEMBER STATES

Lord Carrington said that, if the Community were to realise its full potential, member states could not limit themselves to what was done under the Treaties and in the field of foreign policy co-operation. There were countless opportunities for collaboration between member states, their industries and their peoples, all of which would serve to strengthen the Community and deepen the relationships binding its members. The more links grew, the more substance there would be to the Community and its activities. The Community was, however, not just collective action in Brussels: it was also North Sea oil flowing to the Federal Republic of Germany; the Airbus, Concorde and Tornado aircraft; British, German and Dutch co-operation on uranium enrichment; Franco-German co-operation on fast breeder reactors; tunnels through the Alps; bridges across the Rhine; tourism; and student exchanges. In short, everything which served to bring its peoples together in their work and leisure.

In conclusion, Lord Carrington said that the British were not greatly enthused 'by a blue-print approach to Europe, with dialectical arguments about federalism and confederalism'. Although the unique structure of the Community was a 'precious asset' which had to be cherished and encouraged, deeds mattered more than words. What was needed was 'a Community not of paper and promises but of practical policies, seen by the citizen to be helpful'.

European Council

Among the main topics discussed by the European Council in Luxembourg on 1 and 2 December were the Middle East, East-West relations, the earthquake in southern Italy, the economic and social situation within the European Community, financial questions, and industrial innovation. The Council was attended for the first time by the Prime Minister of Greece, which becomes the tenth member state on 1 January 1981.

The Council's discussions were summarised in the Presidency's conclusions issued at the end of the meeting. These stated that, in the face of disquiet caused by developments in the international situation, the Council was conscious of the responsibilities devolving upon Europe, and considered that its experience and resources made it 'one of the essential factors of equilibrium and peace in the world'. It also considered that dialogue and co-ordination between a strong United States and a Europe confident of itself and its role would 'best serve the cause of peace and freedom'. The Council would ensure therefore that the Community acquired greater cohesion and that its voice was heard.

Middle East

After considering M Gaston Thorn's report on his mission to the Middle East on behalf of the Community, the Council said that the mission had confirmed that the principles of the Venice Declaration (see pp 202-3) incorporated 'the essential elements for a comprehensive, just and lasting settlement to be negotiated by the parties concerned'. Consideration of the issue by Community foreign ministers had resulted in the drafting of a report under four headings on the principal problems relating to a comprehensive settlement: troop withdrawals, self-determination, security in the Middle East and Jerusalem.

The Council noted that there were a number of different formulae which could give substance to some of the Venice principles, in particular on 'the duration of the transitional period leading up to the electoral procedure for self-determination, the definition of the provisional authority for the vacated territories, the conditions and modalities for self-determination, the guarantees of security, and Jerusalem'. In order to explore these more thoroughly, it decided to establish new contacts with the parties concerned and to continue discussions within the Community. The new President of the Council would undertake these contacts in consultation with foreign affairs ministers.

The situation in Lebanon was also discussed, Community member states reaffirming that its

unity, independence, sovereignty and territorial integrity had to be fully respected: 'This is essential to enable the legitimate Government of Lebanon to restore peace throughout the country. Lebanon belongs to the Lebanese: it is for them alone to establish the rules of their co-existence.' Respect for Lebanon's international boundaries was 'one of the essential factors in the security and stability of the region', and the Council hoped that the United Nations Interim Force in Lebanon would be enabled to fulfil the assignment given to it by the Security Council. It also reaffimed that one of the aims of Community action was 'to restore the integrity of Lebanon's borders and to enable it once more to exercise its national sovereignty in full'.

On the relations between Syria and Jordan, the Council noted with concern the situation that had arisen between the two countries and called upon both governments to exercise restraint and to resolve any disagreements by peaceful means.

East-West Relations

After a detailed exchange of views on developments in East-West relations, the Council stressed the importance attached by member states to the Conference on Security and Co-operation in Europe (CSCE) and their willingness to continue the process [at the Madrid Conference (see pp 351-5)]. Compliance by all concerned with the principles of the Helsinki Final Act was 'both the basis of this process and a pre-condition of its continuation'. The member states were determined 'not to be content with apparent results in Madrid but to achieve genuine and balanced progress in the various chapters of the negotiations'. The Council confirmed the support expressed in a Community declaration of 20 November 1979 for the proposed European disarmament conference, the first stage of which would be 'the drafting of binding and verifiable confidence measures to apply to the entire European continent'.

The Council expressed its sympathy with Poland and stated that member states would, in their relations with Poland, conform strictly to the United Nations Charter and to the principles of the Helsinki Final Act. It recalled that signatories of the Final Act had undertaken to respect the right of every country to choose and freely develop its own political, social, economic and cultural system as well as to determine its own laws and regulations; to refrain from any direct or indirect intervention in internal or external affairs falling within the competence of another signatory state; and to recognise the right of all people to pursue their own political, economic, social and cultural development without external interference. The Council therefore called upon all the signatory states to abide by these principles with regard to Poland and the Polish people, and emphasised that 'any other attitude would have very serious consequences for the future of international relations in Europe and throughout the world'. Willingness was expressed to meet, in so far as resources allowed, requests made by Poland for economic aid.

Earthquake in Southern Italy

Expressing 'deep emotion' in the face of the disaster that had struck southern Italy, the Council stated that over and above the spontaneous aid rendered by Governments, other public authorities, and a multitude of private associations, it was the duty of the Community and its members 'to provide exceptional assistance ... to the stricken areas'. The Council of Ministers was therefore invited to decide without delay on the supplementation of emergency aid with 'exceptional aid measures designed to make an effective contribution, mainly through a loan with an interest rate subsidy, to the reconstruction programme in the affected areas in order to mitigate the effects of the disaster on the economic and social situation of the regions concerned'.

Economic and Social Situation

Noting that repeated increases in the price of oil forced upon consumer countries were the main cause of world recession, the Council stated that 'any further increase ... would also have serious consequences for the non-oil-producing developing countries'. It considered that prospects for the European economy had never required more vigilant attention, and was particularly concerned at the rapid increase in unemployment in member states. The most appropriate ways of achieving improved growth and combating unemployment on a lasting basis were 'the reduction of rates of inflation and improvements in the competitiveness of undertakings by suitable investments facilitating the necessary structural adjustments'. A combined effort by governments with the collaboration of employers and trade unions was 'essential' to cope with the situation. The various community instruments (for example, the Social and Regional Funds) had to serve policies 'aimed at reducing structural unemployment and at improving infrastructure and the economic situation of the less-favoured rural regions'. A special effort was needed 'to assist young people to find employment and to ensure that their training [was] geared to requirements'.

The Council also drew attention once more to pledges made by all Community member states to reduce their dependence on oil by energy saving and having recourse to other energy sources, including coal and nuclear power, and to do their utmost to prevent artificial stresses from occurring on the oil market.

Financial and Marketing Questions

Recognising that payments imbalances remained a source of tension in international monetary and financial relations, and that they particularly affected certain developing countries, the Council considered that the maintenance of a stable international monetary and financial system was 'a prerequisite if policies for the adjustment and recycling of capital [were] to contribute ... towards overcoming the existing imbalances and if the measures taken to benefit the developing countries [were] to be pursued effectively'. It stressed that the work of international institutions to resolve the financial problems raised by repeated oil price increases and the needs of

developing countries should be actively pursued, with due regard being paid to the independence of these institutions, and said that member states would co-ordinate their positions in these discussions.

Turning to the European Monetary System (see pp 415-18, 1978), the Council described its operation as 'exemplary' since it had made 'an essential contribution towards establishing an improved monetary order, both at Community level and in order to respond better to the problems arising in international monetary relations'. Work concerning the Community's monetary problems had to be actively continued by the Council of Ministers, particularly as regards 'adjustment of Community balance of payments loans and the gradual development of the use of the European Currency Unit'. The Council noted the intention of the Council of Ministers and of the Committee of Governors to renew agreements on medium-term assistance and the swap arrangements which formed part of the System. It confirmed its determination 'to continue strengthening the European Monetary System until its transition to the institutional stage at the appropriate time'.

Industrial Innovation

Discussing the problems facing industry, the Council stated that Community undertakings had to 'aim resolutely at applying and developing activities based on an innovatory approach', this effort to be taken up 'in conjunction with both sides of industry as a necessary component of an active policy on employment'. It expressed the hope that efforts made by member states would be better co-ordinated in order to improve the competitiveness of European products by making the best use of the common market. The Community's authorities were asked to examine 'ways of eliminating the fragmentation of markets and improving incentives to innovation and the dissemination of knowledge'.

PRIME MINISTER'S STATEMENT

The Council's deliberations were summarised by the Prime Minister, Mrs Margaret Thatcher, in a statement to the House of Commons on 3 December (*Hansard*, Vol 995, No 10, cols 398-418).

On the economic problems facing the Community, Mrs Thatcher said that member states had agreed that 'reductions in inflation rates and improvements in competitiveness were the most appropriate ways of achieving growth and combating unemployment on a lasting basis'. The Community also had to 'have regard to the extent to which [it had] fallen behind in industrial development and innovation'. The Council had therefore agreed that 'the institutions of the Community should examine ways of improving incentives to innovation and of making the best use of the Community market'.

Referring to trade with Japan, Mrs Thatcher said that the Council had welcomed the decisions recently taken by Community foreign ministers. These had called for a dialogue between the Community and Japan based on moderation in Japanese exports in certain sensitive areas and improved access to the Japanese market with the Community being treated no less favourably than other major trading partners.

On other matters of interest to Britain, the Prime Minister said that she had strongly urged that early decisions should be taken on continued access for New Zealand butter and that she had drawn attention to the 'very slow progress being made on questions such as insurance and air fares where the Community [had] yet to show its readiness to have freer competition in the service sector'.

As for the mandate given to the Commission to produce by June 1981 a report on the restructuring of the Community budget (see pp 182-3), Britain, along with the Federal Republic of Germany and France, had emphasised that this would 'have to be done not only within the accepted principles of the Community but also within the 1 per cent value added tax ceiling'.

Turning to foreign policy questions, the Prime Minister said that all member states were 'deeply concerned about developments in eastern Europe and in particular about the position of Poland'. Events there had given 'a special significance to the language of the Helsinki Final Act about the right of every country to choose and develop its political, social, economic and cultural system, free from any outside intervention'. The Helsinki principles were 'applicable to all states in all circumstances'.

On the Arab-Israel conflict, Mrs Thatcher continued, the Council had decided that the Presidency (to be assumed by the Netherlands from 1 January 1981) should conduct the next round of contacts with the parties with the aim of giving more precision to the main questions at issue (see above). The Community's objective was 'a comprehensive, just and lasting settlement based on the two principles stated at Venice: security for Israel and recognition of the rights of the Palestinians'.

The Madrid CSCE Review Meeting

Britain's commitment to strengthening security and developing co-operation in Europe, and the importance it attaches to securing a full review of the progress made in implementing the 1975 Helsinki Final Act, have been emphasised at the Madrid review meeting of the Conference on Security and Co-operation in Europe.

The Madrid review meeting is the second to have been held since the Conference on Security and Co-operation in Europe (CSCE) ended in August 1975 (see pp 305-12, 1975). After reviewing the progress made in implementing the Final Act, the participants should also discuss, as stipulated in the Final Act, 'the deepening of their mutual relations, the improvement of security and the development of co-operation in Europe and the development of the process of détente in the ′ iture'.

The meeting opened on 11 November without an agreed agenda, the preparatory meeting convened on 9 September to resolve this and other procedural matters having failed to reach a consensus. This was because of the attempts by the Soviet Union and its allies to reduce to a minimum the review of implementation of the Final Act, and to qualify the commitment of the participating states to further review meetings by reserving to certain states the judgment on whether the appropriate political conditions existed for these. On 14 November, however, a fully representative working group agreed that the first six weeks of the meeting would be taken up with a review of implementation; and that participants would be able to introduce proposals for new measures and make explanatory statements regarding them in the fifth and sixth weeks respectively. It was also decided that the Madrid meeting should not end without agreement being reached on the timing of the next review meeting. In Britain's view, the Soviet proposals would have transformed the nature of the CSCE process, the main objective of which is the full implementation of the Final Act.

THE CSCE PROCESS

The idea of a European security conference was originally advanced by the Soviet Union in the 1950s, and the suggestion was repeated a number of times in the 1960s, particularly after a Warsaw Pact meeting in Bucharest in July 1966 put forward more specific aims for a conference. At that time, however, the members of the North Atlantic Treaty Organisation (NATO) felt that there was insufficient East-West agreement on the central problems of European security and that consequently the time was not yet appropriate for a meeting of this kind to take place. This view was reinforced in 1968 by the Warsaw Pact invasion of Czechoslovakia and the 'Brezhnev doctrine' of limited sovereignty, these being seen as incompatible with the principles of sovereign equality and the political and territorial independence of each European state.

There were also considerable differences between the views of the NATO countries and the Soviet Union and its allies regarding the problems of a security conference. The latter were concerned to gain recognition of the immutability of Europe's post-war frontiers – in particular to secure recognition of the division of Germany – and with the military aspects of security. The West, on the other hand, sought greater co-operation in Europe based on practical measures to lower the barriers between states and acceptance of the view that détente should cover the whole spectrum of relationships rather than being limited to those at official level; that is, between peoples in all their aspects as opposed to state-to-state contacts. Western leaders stressed the value of closer contacts and a freer flow of information as a means of promoting mutual understanding. The Warsaw Pact countries also attached importance to a broad declaration of principles for European relationships, while the West was more concerned with working out detailed measures of co-operation.

During the early 1970s a number of important diplomatic developments led to an improved state of general East-West relations. In the latter half of 1970 the Federal Republic of Germany signed a treaty with the Soviet Union on the mutual non-use of force, and with Poland on the normalisation of relations. Then, in September 1971, the Quadripartite Agreement on Berlin was signed and came into force, together with the related inner-German arrangements and a final protocol, in June 1972. This was followed in December 1972 by the signature of the basic treaty on general relations by the two German states and general Western recognition of the German Democratic Republic. In the light of these developments the way was now open for talks on the CSCE to begin. In December 1972, the NATO Council said that the goals of its members would be to increase the security of all Europe through achieving agreement on principles guiding relations between the participants, and on appropriate measures, including military ones, aimed at strengthening confidence and increasing stability and thereby reducing the dangers of military confrontation; to improve co-operation in all fields; to bring about closer, more open and freer relationships between all peoples in Europe; and to stimulate a wider flow of information and ideas.

The Final Act

The CSCE opened in July 1973 and after lengthy discussions the Final Act was signed by the heads of State or Government of the 35 participating states[1] in August 1975.

The Final Act is a charter and code of conduct of behaviour for what the participants hope will in time become a more normal and open relationship between both governments and people in East and West. It is not a treaty or a legally binding agreement, but in it the participating states express their determination 'to give full effect to the results of the Conference and to assure, among their States and throughout Europe, the benefits deriving from those results'. These are to be pursued unilaterally or through bilateral and multilateral agreements. As the then British [Labour] Prime Minister, Mr (now Sir) Harold Wilson, told the House of Commons on 6 August 1975, the Final Act is 'a set of political understandings which will, at the very least, provide a yardstick against which future behaviour can be measured and judged'. Likewise, in December of that year, the NATO Council welcomed it as providing 'guidelines for the evolution of relations between the participating states and between their peoples towards greater understanding and co-operation'.

The provisions of the Final Act are grouped under four main headings or 'baskets': questions relating to security in Europe, which includes a

[1]The 35 signatories of the Final Act are Austria, Belgium, Britain, Bulgaria, Canada, Cyprus, Czechoslovakia, Denmark, Finland, France, the Federal Republic of Germany, the German Democratic Republic, Greece, the Holy See, Hungary, Iceland, the Irish Republic, Italy, Liechtenstein, Luxembourg, Malta, Monaco, the Netherlands, Norway, Poland, Portugal, Romania, San Marino, Spain, Sweden, Switzerland, Turkey, the Soviet Union, the United States and Yugoslavia.

'Declaration on Principles Guiding Relations Between Participating States'; co-operation in the field of economics, science and technology and of the environment; co-operation in humanitarian and other fields; and arrangements for the follow-up to the Conference, including reference to ways of implementing its decisions. There is also a section dealing with questions relating to security and co-operation in the Mediterranean.

The first meeting to review the progress being made in implementing the Act's provisions took place in Belgrade from October 1977 to March 1978 (see pp 115-17, 1978).

CSCE and Détente

The CSCE is part of the wider process of détente through which improvements in East-West relations are sought. While the Final Act is primarily concerned with security in Europe, it explicitly recognises that European security has 'to be considered in the broader context of world security' and that, therefore, the pursuit of security 'should not be confined to Europe but should extend to other parts of the world'. This reflects the 'indivisibility' of détente. Essentially the management of East-West relations with a view to avoiding war while the legitimate interests of both sides are protected, a basic premise of détente is that neither side should pursue policies which raise the level of confrontation so that détente itself is threatened, and that such restraint has to apply in all relationships and in all parts of the world.[1]

The Approach to the Madrid Meeting

The approach to the Madrid meeting has been overshadowed by the Soviet Union's invasion of Afghanistan (see pp 355-6), and the damage this has done to East-West relations, and the continuing violation of human rights in the Soviet Union and other Eastern European countries. In its actions in Afghanistan the Soviet Union has not only violated the United Nations Charter, but also broken the commitment made at Helsinki by CSCE participants to conduct their relations with all other states in the spirit of the principles guiding relations between themselves. These include the principles of sovereign equality, territorial integrity of states, inviolability of frontiers, equal rights and self-determination of peoples, refraining from the use of force and non-intervention in internal affairs. Indeed, as Britain's Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, said in Stockholm on 19 August, 'it would surely be difficult to argue that any one of these principles was not violated by the Soviet action'.

More or less coinciding with the invasion of Afghanistan, Soviet authorities have intensified their campaign against political dissenters within the Soviet Union. Speaking in the House of Commons on 2 July (*Hansard*, Vol 987, No 205, cols 620-34), Mr Peter Blaker, Minister of State at the Foreign and Commonwealth Office, said that such actions were 'clearly intended to silence protests against Soviet infringements of human rights, and in particular of the Helsinki Final Act, and appear to have been timed partly with the opening of the Olympic Games (see pp 107-8) in mind – and possibly also the Madrid meeting'. About 100 people were known to have been arrested or tried since October 1979, he explained, including members of the Helsinki monitoring groups in Moscow and the Ukraine, the publishers of *samizdat*[1] material, unofficial Christian groups and members of a body investigating Soviet political misuse of psychiatry. In addition, in January there had occurred the 'administrative and evidently illegal' exile to Gorky of Dr Andrei Sakharov, winner of the 1975 Nobel Peace Prize.

There have been similar developments in other Eastern European countries. In Czechoslovakia, for instance, the authorities have arrested and imprisoned supporters of the Charter 77 group which was set up in January 1977 with a view to securing respect within Czechoslovakia for the provisions of the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights as well as for the civil liberties safeguarded by Czechoslovak law. In the German Democratic Republic, restrictions on the working conditions of foreign journalists were greatly increased in April 1979, and followed in August by measures to make the passing to foreigners of any information considered damaging to the state's interests and the publishing abroad of criticisms of the state punishable by up to 12 years' imprisonment. Dissidents have also been arrested and imprisoned in Poland, most recently in connection with strikes by workers in the Baltic ports and elsewhere during July and August.[2]

BRITISH VIEWS

Addressing the Madrid meeting on 13 November, Mr Peter Blaker, Minister of State at the Foreign and Commonwealth Office, said that Britain wished to strengthen security and develop co-operation with all the countries represented there. The CSCE was a political process, and Britain had come to practise the art of the possible with patience, without polemics, and with the aim of making progress on the basis of the Final Act.

[1]It should be noted that Western and Eastern interpretations of détente differ. The West hopes that the development of détente will in time bring a more open relationship between East and West, and broaden the area and common ground to extend beyond the avoidance of war. While Soviet and East European leaders sometimes appear to share this approach, they also frequently identify détente with the advance of communism and the revolutionary struggle. As President Brezhnev said in 1976: 'We do not conceal that we see détente as a way of creating more favourable conditions for the peaceful building of socialism and communism. This merely confirms that socialism and peace are inseparable.'

[1]A term used to describe the Soviet literary underground.

[2]Following two months of strikes in Poland's Baltic ports, along with major stoppages elsewhere, the Polish Government agreed to the strikers' demands, including the right to establish free trade unions in factories which wanted them, in parallel with the official trade union structure; recognition of the right to strike; relaxation of censorship; the release of political detainees; and better access to the media for the Roman Catholic Church. During the strikes, a number of dissidents who were active in disseminating information about the strikes were arrested. Most were not released until the strikes had ended.

The Meeting's Tasks

The review meeting had two tasks, Mr Blaker stated. First, with regard to the declaration in the Final Act on the principles guiding relations between the participating states, by which they had 'committed themselves to a framework for the conduct of international relations', the meeting had to consider those matters in which the framework had not been fully respected and identify what remedy was required. This framework was based on many established principles of international law, but to these it had added 'an expectation ... that, for the sake of European security and co-operation, a certain restraint would be observed in the behaviour of the participating states; that the pursuit of national or ideological advantage would not be carried to the point at which tension would be raised through disregard of the legitimate interests of other parties'. Britain, together with its partners in the European Community, remained wholeheartedly attached to this framework without which 'the basis for co-operation, and the whole process of détente, would be undermined'. It aimed to see the entire framework of the Final Act respected in practice, to the benefit of all.

The second task was to insist upon better implementation of the declaration's seventh principle on respect for human rights and fundamental freedoms: 'The direct link between personal freedoms and peace [had been] made clear in the commitments [undertaken] at Helsinki.' By stressing the free exercise of personal rights and freedoms the CSCE had laid the foundation for a greater understanding among the peoples of the participating states. The Final Act had thus 'become a symbol of our hopes for a peaceful evolution – for the breaking down of artificial barriers separating people in the East from those in the West – for increasing openness over the whole of Europe – and ultimately for a state of affairs in which personal freedom would be enjoyed equally throughout our continent'. It was only under such conditions that one could hope for full understanding to be achieved, 'and for the underlying aspirations of all the people of Europe to be properly reflected in the policies of all their governments'. This had been recognised in the seventh principle, and, while its full implementation might be a long way off, people were entitled to expect 'constant and visible progress in the right direction'. This was the least that would fulfil the pledges made at Helsinki.

Pointing out that events had raised serious questions about whether the signatories could rely upon the framework provided by the Final Act, and about whether all participating states were prepared to honour their part of the Helsinki bargain, Mr Blaker stressed that such questions had to be answered at Madrid. If there remained doubts about the fundamental commitment to the Final Act of one or more of the participating states, there could be no faith in new proposals which rested only upon pious hopes. In addition, if the basic issues which had arisen could not be solved at the meeting, the participants had to make this clear and look forward to trying again at the next meeting. This was not a time when it would be acceptable to seek just an appearance of success.

Afghanistan

Turning to the review of implementation, Mr Blaker reminded the meeting that in the Final Act the participating states had declared 'their intention to conduct their relations with all other states in the spirit of the principles' guiding relations between themselves. The Soviet Union's intervention in Afghanistan, in which it had broken every one of the declaration's ten principles, had raised the most disturbing questions about the light in which it viewed its commitments under the Final Act and had undermined the framework established at Helsinki. A soundly based relationship in Europe demanded that none of the participating states should pursue national or ideological ambitions by unacceptable means at the expense of other countries in other areas, and the strict observance of obligations under international law. The meeting had to reject, Mr Blaker emphasised, the assumption, apparent in the events in Afghanistan, that the end of maintaining in power a particular type of regime justified the use of means contrary to international law. 'Nothing – no talk of solidarity or internationalism or brotherhood – can override the fundamental principles of international conduct or excuse their violation, in Europe or elsewhere.' If confidence in Europe were to be repaired and the basis for co-operation restored, there had to be a political settlement in Afghanistan which would enable the Afghan people to choose a government acceptable to themselves and which would restore Afghanistan's independence.

Arms Control

British policy was directed not towards raising tension but towards finding means whereby it could genuinely be lowered. For its part, Britain would maintain fully all the agreements in the field of East-West relations which concerned it. It would pursue arms control negotiations in the belief that progress towards disarmament had to come through specific agreements dealing with the military balance, and which produced clearly identifiable and measurable, as well as verifiable, results. In the CSCE the treatment of the military aspects of security had to take account of the events already mentioned. These had undermined the value – which was always more political than military – of the confidence-building measures which had been negotiated at Helsinki. The time called for new measures which were of genuine military significance and which covered the whole territory of Europe. The British Government had always had doubts about the value of commitments which could not be verified and of declarations on the non-use of force or different kinds of force, which added nothing to obligations under the United Nations Charter. This was not the correct approach towards disarmament. Furthermore, it was completely implausible so long as Soviet forces remained in military occupation of Afghanistan.

Human Rights

With respect to human rights and fundamental freedoms, Mr Blaker pointed to four general areas in which progress seemed both necessary – in order to preserve the integrity of the Final Act – and possible. These were: (1) *freedom of thought*, and of the right of the individual to know and act upon his or her rights and duties, which required, at the very least, that people should not be prosecuted or otherwise persecuted for criticising malpractices the exposure of which embarrassed the authorities, or for expressing, non-violently, their views on their own countries' implementation of the Final Act; (2) *freedom of religion*, religious discrimination being unjustifiable by any argument under any political or social system; (3) *freedom of information*, an explicit commitment in the Final Act, though certain countries continued to maintain a wide censorship and sought to control the information available to their people in a manner wholly inconsistent with respect for freedom of thought. (In this regard, Mr Blaker referred to the recent re-introduction by the Soviet Union of the jamming of foreign broadcasts in Russian); and (4) *freedom of movement*. When appropriate, Britain would put forward proposals on these points which would be practical and would not touch the fundamental political structure of systems different from its own. However, Mr Blaker continued, the British Government did not accept that the path to greater tolerance and freedom throughout Europe should be blocked on account of the features of any one system. To claim that would be to negate the declared determination of all participating states to respect and to put into practice all the principles agreed upon at Helsinki.

In conclusion, Mr Blaker said that Britain was ready to work with others to rebuild the process begun at Helsinki but which had subsequently been damaged by the continuing suppression of human rights and the invasion of Afghanistan. The British Government believed that the disagreements between the countries of Europe were wasteful and destructive, and that the division of Europe was unnatural. Nothing in the problems was immutable and the cure for Europe's ills lay in the hands of the participating countries. A fresh start should be made in Madrid, and the time to make it was now.

[For further information on the background to the CSCE and the implementation of the Final Act, see COI factels, *The Madrid CSCE Review Meeting*, No 74/Factel/80, and *The Conference on Security and Co-operation in Europe: A Chronology*, No 76/Factel/80.]

Afghanistan

On 20 November Britain voted for a United Nations General Assembly resolution calling for the immediate withdrawal of foreign troops from Afghanistan. Compared with January, when a similar resolution was adopted by the Assembly, seven more countries voted in favour of the troop withdrawals.

Despite the call by the UN General Assembly in January for immediate, unconditional and total withdrawal of foreign troops from Afghanistan (see pp 15-18), the Soviet Union has continued to employ large forces in that country – last estimated at some 85,000 – in an attempt to impose the regime of Mr Babrak Karmal on the Afghan people. The continuing hostilities have resulted in some 1 million refugees leaving Afghanistan. The Soviet Union has also ignored the February 1980 proposal of the European Community foreign ministers for a neutral Afghanistan free from competition among the powers (see pp 73-4). In May, the foreign ministers of the Islamic Conference expressed deep concern at the continued Soviet presence and, for the second time, called for the total withdrawal of troops. In addition the Conference set up a standing committee to pursue further consultations and work for the convening of an international conference.

General Assembly Resolution

Because of the continued military occupation of Afghanistan by the Soviet Union, the issue was discussed by the General Assembly in November. A draft resolution, sponsored by 39 member states and passed by 111 votes to 22 with 12 abstentions, reaffirmed 'the right of the Afghan people to determine their own form of government and to choose their economic, political and social system free from outside intervention, subversion, coercion or constraint of any kind whatsoever'. Reiterating that 'the preservation of the sovereignty, territorial integrity, political independence and non-aligned character of Afghanistan [was] essential for a peaceful solution of the problem', it called for 'the immediate withdrawal of the foreign troops' and requested all parties concerned to work for the urgent achievement of a political solution. With regard to the Afghan refugees, the resolution called for the creation of the necessary conditions which would enable them to return to their homes in safety and honour, and appealed to all states, as well as national and international organisations, to extend humanitarian relief assistance to alleviate hardship.[1] It expressed the hope that the Secretary-General, with a view to promoting a political solution, would continue to see whether appropriate guarantees could be secured for the 'non-use of force or threat of use of force against the political independence, sovereignty, territorial integrity and security of all neighbouring states, on the basis of mutual guarantees and strict non-interference in each other's internal affairs'.

Britain's View

Noting that there were over 85,000 Soviet troops in Afghanistan, the British Permanent Representative, Sir Anthony Parsons, told the General Assembly on 18 November that the Soviet Union was building permanent barracks and facilities for

[1]Britain has contributed just over £2 million for the Afghan refugees; of this some £1·4 million formed part of a contribution from the European Community.

its forces. In addition, other troops, based in the Soviet Union, were involved in military operations in Afghanistan. The pretence that the Soviet Union had intervened by popular demand and that it had the interests of the Afghan people in mind had rapidly been shown to be baseless, for nearly one in ten Afghans had fled the country and many were 'putting their lives at stake to resist a super power which [did] not hesitate to use all the technology of modern warfare'. The invasion had taken place because of selfish calculations of Soviet national interest. A Communist regime to which Soviet prestige had been committed in the form of men, money and equipment had been losing its grip through lack of popular support and there had been indications that the Afghan people would overthrow it. To prevent this, the Soviet Union had installed its 'own puppet regime without any reference to the wishes of the Afghan people'.

The implications of the invasion for world peace and security and for international co-operation were 'every bit as grave now as they were in January', for if the Soviet Union could with impunity invade an independent state 'no other country [could] be confident of its independence and sovereignty'. The passage of time had not diminished the need for member states to search for an acceptable and peaceful solution which would reverse what had happened and seek to ensure that it could not happen again.

Discussing proposals for a solution, Sir Anthony said that the Soviet Union had shown no interest whatsoever in negotiations on terms acceptable to the Afghan people and their neighbours. Nothing proposed by it or the Kabul regime had contained 'any basis for genuine discussion'. The plan announced in Kabul in April did not even address itself to 'the central issue of the massive Soviet military presence in Afghanistan'.[1] Further proposals from Kabul in May had stated that both the Soviet Union and the United States should give guarantees against any interference or subversive activities in Afghanistan and that the Afghan government would ask for the withdrawal of Soviet troops once relations with its neighbours had been normalised and rebel activities had ended. These proposals had contained 'no commitment' to a withdrawal of Soviet troops and 'no provision for the Afghan people to have a say in their future'. In addition, they had said nothing about future assurances against invasion across the frontier with the Soviet Union. The May proposals were 'directed primarily towards securing legitimacy for the Babrak Karmal regime and not towards a real attempt at a political settlement in the interests of the Afghans as a whole'. In this connection, Sir Anthony said that, although Britain had raised no objection to the participation in the debate by a representative of the present Afghan regime, this could not be taken to imply that the British Government recognised it as the government of that country.

[1]Talks were proposed with Iran and Pakistan for the normalisation of relations, and between the countries of the region on the reduction of military expenditure and the limitation of arms and armed forces under international guarantees. Friendship and co-operation with the Soviet Union were declared to be the basis of Afghanistan's foreign policy.

Emphasising that the Assembly should once again express its strong indignation and repeat its condemnation of the Soviet occupation, Sir Anthony said that the world had to continue working for an acceptable settlement and the Afghans had to be assured that they had not been forgotten. The necessary elements for a solution were secure borders; freedom of return for refugees; a regime acceptable to the Afghan people; adequate assurances for the future; and an immediate, unconditional and total withdrawal of Soviet forces. Although Britain and the other European Community member states had suggested a neutral Afghanistan, this had not been put forward as 'an immutable plan' and was only one of a number of possible solutions. There could be no question of an imposed solution since it would be for an Afghan government reflecting the popular will to choose. He suspected, however, that the advantages of a structure that could restore and protect Afghanistan's sovereignty and independence would have 'great attractions' for the Afghans; and their neighbours, including the Soviet Union, would surely 'have nothing to fear from an independent and neutral state'. Britain was ready to contribute in any way it could to a solution.

Sir Anthony asked whether the Soviet Union was prepared to seek a political settlement to meet the interests of all concerned and not just its own. The alternative to a settlement was a 'continuing war at mounting cost to the Soviet Union and increasing tragedy for the Afghan people, who [had] suffered enormously in terms of loss of human life, physical injury and material damage in the last twelve months'. In a wider context, there would also be 'a continuing strain on international relations' so long as the Soviet Union went on 'defying and flouting the principles upon which the UN Charter [was] based'. The rest of the world could not afford to act as if nothing had happened and should 'not repeat the past mistake of forgetting too quickly a Soviet invasion of an independent and sovereign country'. The Soviet Union and the Babrak Karmal regime had to be left 'in no doubt about the intense anger and horror felt by the world at what [was] being done in Afghanistan, at the deaths, at the destruction'. The suffering was immense and those who believed that human beings should be able to choose their own governments, and not have them forcibly imposed by outsiders, had to have sympathy for the oppressed and for the justice they were seeking.

UK-Irish Talks

Talks were held in Dublin on 8 December between the Taoiseach of the Irish Republic, Mr Charles Haughey, and Britain's Prime Minister, Mrs Margaret Thatcher.

Mr Haughey was accompanied by the Irish Minister for Foreign Affairs and the Minister for Finance,

Mrs Thatcher by the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer and the Secretary of State for Northern Ireland.

Communiqué

The communiqué issued after the meeting, which was the first of those on which the Taoiseach and the Prime Minister agreed when they met in London in May (see p 179), said that a range of international issues had been covered, together with the future development of the European Community, including the budget, the Common Agricultural Policy, the European Monetary System and fisheries, as well as other matters of concern to both countries.

'The Taoiseach and the Prime Minister', the communiqué continued, 'noted with satisfaction the useful exchanges at ministerial and official level since their last meeting, leading to new and closer co-operation in energy, transport, communications, cross-border economic developments and security. They agreed that further improvements in these and other fields should be pursued.'

The two leaders agreed that 'the economic, social and political interests of the peoples of the United Kingdom of Great Britain and Northern Ireland and the Republic are inextricably linked, but that the full development of these links has been put under strain by division and dissent in Northern Ireland'. In that context they accepted 'the need to bring forward policies and proposals to achieve peace, reconciliation and stability, and to improve relations between the peoples of the two countries'.

They considered that the best prospect of attaining these objectives was further development of the unique relationship between the two countries, and accordingly decided to devote their next meeting in London in 1981 'to special consideration of the totality of relationships within these islands'. For this purpose they had commissioned joint studies covering a range of issues including possible new institutional structures, citizenship rights, security matters, economic co-operation and measures to encourage mutual understanding.

The Taoiseach and the Prime Minister recalled recent statements issued on behalf of their Governments about the situation in the H-blocks of the Maze Prison in Northern Ireland, and reiterated the hope that the statement by the Secretary of State for Northern Ireland on 4 December would provide the basis on which the issues could be resolved.[1]

The communiqué noted that 'the discussions were regarded by both sides as extremely constructive and significant'.

[1]The statement set out the facts about the living conditions open to all prisoners in Northern Ireland and explained the special measures already taken on humanitarian grounds in respect of the living conditions of the protesting prisoners. It repeated the British Government's refusal to concede the demand by prisoners on hunger strike that all protesting prisoners be granted 'political status' (*Hansard*, Vol 995, No 12, written answers, cols 375-8). For *Survey of Current Affairs* coverage, see pp 311-13.

British Aid Policy

The British Government's determination to maintain 'a significant aid programme' and, within this, to concentrate on assisting the poorest countries, was reaffirmed in November. Some examples of recent aid provision are detailed below. (British support for the International Drinking Water Supply and Sanitation Decade, which was launched by the United Nations on 10 November, is described on pp 360-1).

THE AID PROGRAMME

Britain's intention, within the limits of its economic circumstances, to maintain a significant aid programme was emphasised by the Minister for Overseas Development, Mr Neil Marten, in a statement issued on 11 November. The Government, he explained, regretted that reductions in the planned level of aid expenditure had been necessary, but these had to be seen in perspective. Controlling inflation and revitalising the wealth-creating sectors of the economy were the Government's priority objectives, and an essential element in this process was the reduction of public spending to a level which matched the resources that Britain could afford. It had not been possible to exempt overseas aid from this process. However, a very substantial aid programme remained, and in the current year (1980-81) was expected to total £960 million gross. In 1979, Britain had been the fifth largest donor in terms of aid provided [some £974 million in net overseas development assistance] – after the United States, France, the Federal Republic of Germany and Japan, all countries with stronger economies than Britain. This had been equivalent to 0·52 per cent of gross national product (GNP), well above the Western donors' average (0·39 per cent) and significantly better than some of its richer industrialised partners. The amount Britain would be able to devote to aid in the future, Mr Marten pointed out, would depend on its success in strengthening the wealth-creating sectors of its economy.

Given this substantial aid programme and the overriding importance of improving Britain's economy, the Government thought it right to seek ways of using one to promote the other, consistent with the underlying developmental objectives. A review of aid policy (see p 75) had concluded that while, as a first priority, it was necessary to ensure that developing countries derived the maximum benefit from Britain's aid, it would also be right to give greater weight in allocations than previously to political, commercial and industrial considerations alongside basic developmental objectives. There was nothing new in this; a variety of motives influenced both Britain's and other donors' aid programmes. Referring to the policy of successive British Governments of tying a proportion of bilateral aid to British goods and services, Mr Marten said that this did not exclude worthwhile help for the poorest groups in the developing world. With careful planning and project selection, British aid could help such people

and at the same time offer valuable opportunities for British firms which, in turn, supported many thousands of jobs in British industry.

Even with these policy refinements, Mr Marten stated, the low-income countries would remain the major beneficiaries. In 1979, almost two-thirds of British bilateral aid went to such countries – particularly the populous Commonwealth countries of South Asia and sub-Saharan Africa. Such areas would also benefit from the £555 million Britain had agreed to contribute to the latest replenishment of the International Development Association which worked exclusively in low-income countries.

Private and International Investment

Overseas aid was only one element, and not the biggest, of developing countries' resource requirements. The Government believed that private investment and financial flows from international capital markets had a major role to play in the development process. It had eliminated exchange controls, and this should encourage further British investment in developing countries. Already, Britain was in the top league for the size of combined official and private flows channelled to developing countries. These amounted to £5,300 million in 1979, some 2·8 per cent of GNP.

Pointing out that newly industrialised countries – like Hong Kong, Korea, Brazil, Singapore, and Mexico – had thrived largely because they encouraged private investment and so had developed their own industries, Mr Marten said that such countries had become important trading nations and as such had provided opportunities for British industry and commerce. While overseas aid was important, it was the aspiration of all recipient countries to escape from dependence upon it. World-wide, developing countries themselves probably provided about 80 per cent of all development costs from trade and domestic revenues. It was arguable, therefore, that the greatest contribution which Britain could make to the problems of many developing countries would be to maintain a prosperous and open market in Britain itself. For other countries, those at much lower levels of development and suffering very extreme poverty, aid on concessional terms would be an essential requirement for many years. They would remain a priority for the distribution of Britain's bilateral aid.

International Discussions

With regard to the Brandt Report (see pp 101-5 and 209-12), Mr Marten said that the Government had accepted its main message – that the economic future of developed countries was clearly linked with the future of the developing world. At the same time, he warned of the danger of rhetoric taking control and of more importance being attached to procedure than substance in coming discussions regarding the Report's recommendations. These should be based on a real understanding of the problems, and their recommendations should be practical. If it proved possible to organise a summit meeting to discuss such issues, after proper preparation, Britain would take part.

As for the global round of negotiations (see pp 292-3), Mr Marten repeated the Government's belief, which was shared by the United States and the Federal Republic of Germany, that it would not be right for a conference convened by the General Assembly of the United Nations to have the power to take decisions about the structure and policies of existing institutions, such as the World Bank and the International Monetary Fund (IMF). Far from being static, these institutions had changed rapidly in the last few years. They were increasingly responsive to the needs of the developing world. For example, the capital of the World Bank had doubled; in future, countries would be able to draw larger amounts from the IMF over longer periods – up to 600 per cent of their quotas over three years; and the conditions attached to IMF programmes would reflect the circumstances in each borrowing country and be applied in a humane, sensible way. These institutions should be encouraged to evolve further while at the same time retaining the essential confidence of those on whom they chiefly relied. Britain would go on working within the United Nations for an agreement which would allow the global negotiations to get under way.

RECENT AID COMMITMENTS

One of the most important British aid commitments in the last year was that of £75 million to help the newly independent country of Zimbabwe, this including £12 million in grants for urgent post-war construction (see pp 155 and 288).[1] Vanuatu, which became independent in July 1980 (see p 241), has also been offered a post-independence aid package of £23 million, comprising £6·4 million in budgetary aid, £4 million in technical co-operation funds for the years 1980-81 and 1981-82, and £13 million for development projects to be mutually agreed. Other general aid agreements have included one with Malawi for £56·5 million, to be used mainly for natural resources, education, transport and telecommunications; and one with Kenya for £80 million, £65 million for development projects including roads, rural development and urban infrastructure, and £15 million for the provision of British goods and services. In September 1979 and again in May 1980 Britain made £15 million loan commitments to Turkey for the purchase of British industrial equipment, and these were followed in December by a £15·1 million loan for debt re-financing. These loans represent Britain's contributions to emergency aid packages arranged by the Organisation for Economic Co-operation and Development. Together with Britain's share of the European Community's help to Turkey (£9·5 million), British aid commitments to that country have totalled over £55 million since the beginning of 1979. Recent development commitments for projects yet to be agreed include grants of £12 million to Nepal, £10 million to The Gambia, and £5 million to St Vincent and the Grenadines (the last being half of the £10 million project aid

[1]Britain has also agreed to write off £22 million of the official debt outstanding since 1965 and to reschedule the remainder, about £33 million, for payment at a later date.

agreed when St Vincent became independent in October 1979 – see p 330, 1979). Aid for the provision of goods and services or for non-project purposes has included grants of £33 million to India, £4 million to Uganda and £2 million to Zaïre, and loans of £10 million to both Ghana and Cameroon and of £2 million to Jamaica.

Project Aid

Some examples of commitments to individual projects are given below:

Sri Lanka: A £100 million grant to finance the major part of a dam and power station at Victoria. When completed, the power station will account for one-third of the country's installed generating capacity, and the dam will facilitate the irrigation of some 24,000 hectares along the Mahaweli River. The project forms part of the large Mahaweli Development Programme which is also receiving extensive assistance from the World Bank and other donors.

Turks and Caicos Islands: A grant of nearly £4 million to support a £6 million joint project between the Turks and Caicos Government and a private company for a tourist vacation village on the island of Providenciales. The aid will be used mainly to improve airport facilities, but also to improve roads, electricity and water supplies. Tourism is seen as offering the best prospects for the islands' economic development, through the creation of new jobs and the earning of foreign exchange.

Solomon Islands: A £2·35 million grant to assist the establishment, by the Solomon Islands Government and a local plantation firm, of a joint venture company to operate a ten-year agricultural development programme covering 7,000 hectares on the Russell Islands and on Guadalcanal. This will involve coconut palm trees underplanted with cocoa, with provision for the rearing of cattle. There will also be a systematic replanting of land already cultivated. The new firm will create over 1,000 jobs, and, through its training programme, aims to achieve local staffing at all levels by the end of ten years.

Burma: A £3·6 million grant to develop a commercial shrimp and fisheries project on the Arakan coast. The aid has been used to purchase and convert a trawler into a fisheries research vessel, and orders have been placed in Britain for the construction of two refrigerated fish carrier vessels. In addition to increasing fish supplies for the local market, the project will lead to a rise in fish and shrimp exports and thus help alleviate Burma's foreign exchange difficulties.

Sudan: Britain has agreed to provide £61 million, the largest contribution, to a $267 million World Bank project to meet the anticipated increase in power requirements of the region around Khartoum by 1984. The aid will be used mainly for providing generating units at two power stations, together with British consultancy services. The fastest growing demand for power in the region is for water pumping, particularly for the irrigated agricultural schemes on the Blue and White Niles.

Kenya: A £13·7 million grant towards the cost (some £18·4 million) of upgrading and re-aligning a road in central Kenya and thus providing an all-weather link about 50 miles long between the towns of Embu and Meru. The new bitumen-surfaced road, which passes through a densely populated region of high agricultural potential, will encourage the marketing of perishable products and reduce local farmers' vulnerability to fluctuating prices. It will also generate jobs and improve incomes in rural areas, and improve access to social facilities like schools, hospitals and training centres.

India: (1) A £10·84 million grant for a family welfare project in Orissa, one of India's most rural states. The aim is to improve family welfare and rural health through better maternal and child health services, increasing the range of family planning services, and strengthening nutrition and health education facilities. This should reduce infant and maternal mortality and morbidity rates and contribute to a fall in fertility rates. The aid will be used to construct, equip and staff primary health centres, and also to provide new training facilities for nurse mid-wives and community health volunteers, and other training needs. (2) Grants totalling £81 million, £70 million to provide British equipment for two fertiliser plants and £11 million to purchase British coal-mining equipment.

Jordan: A £3·5 million loan for an electric power scheme in northern Jordan, aimed primarily at linking 27 villages to the electricity supply system and improving the supply facilities in Irbid. The Jordanian Government is developing the Irbid region with a view to reducing the over-concentration of population in the Amman area, and the project will help to promote economic activity in the region and increase employment opportunities in local agriculture and related industries.

Zambia: A £10 million loan for agricultural development projects which, apart from a £3 million integrated rural development project in north-east Zambia, have yet to be agreed.

Sierra Leone: An offer of £3·5 million for improving transport facilities, possibly through improving rural feeder roads and the purchase of road-making equipment from Britain.

Philippines: A £4·5 million loan to help the development of small-scale hydro-electric power in rural areas, principally through the supply of British generating equipment.

Other commitments have included a £2·9 million grant for the supply of 16 locomotives and associated services to Sri Lanka; £1·2 million to improve inland water transportation in Burma; a £250,000 grant to Montserrat for the purchase of an aircraft to improve its communications with Antigua; a £370,000 grant for the development of the electricity distribution network in Male, the capital of the Maldives; a £234,000 grant for a fisheries research vessel for the Seychelles; and a £1 million grant for a water purification plant for power stations in Bangladesh.

Emergency Aid

While British aid is directed mainly at long-term

development, it also provides considerable assistance to help developing countries to overcome the immediate effects of natural disasters, and some £14 million has been provided for this in the current year. This, provided either directly or through the European Community or other international donors, has included nearly £7 million for famine and refugee relief in East Africa (Uganda, Somalia, the Sudan, Kenya and Djibouti) and some £4·5 million for refugee relief in Cambodia. The latter followed some £6·6 million provided for the same purpose in late 1979. Zimbabwe has received some £1·15 million to assist the repatriation of refugees in addition to the £12 million rehabilitation aid already mentioned. Other examples include the provision of £220,000 for the victims of the recent earthquake in Algeria (for which nearly £300,000 has also been provided by British voluntary organisations and private sources), and £750,000 to St Lucia following hurricane devastation in August.

British emergency aid is co-ordinated by the Disaster Unit of the Overseas Development Administration which has dealt with over 40 separate disasters in the last 20 months. Its operations have involved meeting the cost of diverting three Royal Navy vessels in the Caribbean to bring instant relief after hurricanes; of chartering a Royal Air Force Hercules to airlift relief supplies and air-drop food in Nepal; of providing service personnel to assist on the ground immediately following a disaster; and of providing relief supplies such as tents, blankets, medicines, food, Land-Rovers and lorries.

The International Drinking Water Supply and Sanitation Decade

Clean water and adequate sanitation for all by the 1990s is the stated aim of the International Drinking Water Supply and Sanitation Decade (1981-90) which was launched by the United Nations General Assembly on 10 November. Britain is supporting the decade, the provision of such facilities forming an important part of its aid programme.

Britain's Contribution

Britain is currently contributing some £20 million to water supply and sanitation projects in 26 developing countries. Some of these involve urban water supply and sewerage schemes, but, in line with Britain's policy of concentrating its aid on the poorest countries, the emphasis is on supporting schemes in rural areas. Importance is also attached to the use of intermediate or appropriate technology, inexpensive and simple equipment being ideal for village conditions and self-help projects and for facilitating community involvement in schemes; and to the training of local administrative and technical personnel required to run water supply undertakings.

Projects which have received British assistance over the past few years include those to improve water supplies in the Aqaba area of southern Jordan (£3·35 million), to provide easy access to clean drinking water for 1·25 million people in southern Tanzania (£1·4 million), to exploit the underground water resources of the island of Madura, Indonesia, for domestic supply and agricultural purposes (£1·85 million), and to improve and extend the distribution of water supplies to Matara and four nearby towns on the southern coast of Sri Lanka (£2·4 million). Considerable assistance has also been provided for the improvement of urban water supplies for Blantyre, the capital of Malawi (£2·9 million, including a loan of £1 million by the Commonwealth Development Corporation) and for San José, the capital of Costa Rica (£3·6 million); for rural water supply schemes in Swaziland (£800,000) and for 150 villages in the Irbid district of Jordan (£3·5 million); and for the improvement of sewerage facilities in Maseru, the capital of Lesotho (£800,000). Other countries to have received assistance include Ethiopia, The Gambia, Kenya, Botswana, Thailand, Kiribati, Vanuatu, the Solomon Islands and Cyprus.

Expert advice and assistance on water supply and sanitation questions is also provided under the aid programme, either through engaging consultants (many of the projects mentioned above were preceded by feasibility and other studies undertaken by British consultants), through the provision of experts, or by such bodies as the Hydraulics Research Station and the Institute of Geological Sciences, both of which are government financed and have overseas divisions to advise developing countries. Assistance with training is provided by organisations like the Technical Education and Training Organisation for Overseas Countries[1] and Britain's National Water Council, both of which have advised overseas countries on developing technical centres and on the content of courses. The latter, for instance, is currently helping to establish new training facilities in Madras, seconding staff members there and arranging short-term visits by specialists. Such training is best undertaken locally, but there are also opportunities for overseas students to study in Britain. For instance, the National Water Council has organised special three-month courses adapted to the needs of developing countries, and a similar course is available at the Middlesex Polytechnic. Similarly, Loughborough University offers a postgraduate course in water and waste engineering for overseas students, and there are a number of more general courses in water supply and sanitation engineering at other centres. There are also special courses at both the London and Liverpool Schools of Tropical Medicine relating to the whole range of community health problems of developing countries.

Background

The World Health Organisation has estimated that about three out of five people in the developing countries do not have ready access to safe drinking water, and that three out of four people

[1]This body, which is a specialist agency of the Overseas Development Administration, will be integrated with the British Council in April 1981.

have inadequate sanitation. This situation plays a major role in child mortality. An estimated 17 million children below the age of five die every year in the developing countries, many from diarrheal and other diseases directly related to a lack of safe water and proper sanitation. In addition, water-related parasitic and skin and eye diseases affect more than half the population of these countries. The resulting social and economic costs – in terms of work capacity diminished through illness and time and energy consumed in obtaining water over long distances – is enormous.

For the international decade to achieve its objective, some 2,500 million people will have to be brought within reach of water and/or sanitation services in the ten years (including some 250 million needing improved services). This could cost as much as $600,000 million (at 1978 prices), the World Bank has estimated, though by choosing suitable technologies for both urban and rural areas, and by providing a wider mixture of service levels, it is thought that this could be halved. International assistance, channelled bilaterally and multilaterally, will have an important role in this process, but the major share of these resources will have to be generated by the developing countries themselves and this, it is recognised, will require some changes in national priorities.

In a recent report reviewing prospects for the decade, the United Nations Secretary-General, Dr Kurt Waldheim, reported that though the concept of clean drinking water and adequate sanitation for all by 1990 might not be a realistic goal, it did constitute the ultimate objective towards which developing countries and the international community as a whole could strive.

Shorter Notes

FALKLAND ISLANDS

Following exploratory talks with Argentina in April, the British Government has been considering possible ways of achieving a solution to the Falkland Islands question acceptable to all parties. Reporting this to the House of Commons on 2 December (*Hansard*, Vol 995, No 9, cols 195-204), Mr Nicholas Ridley, Minister of State at the Foreign and Commonwealth Office, said that Britain had no doubt about its sovereignty over the islands. Argentina, however, continued to press its claim, and the dispute was causing 'continuing uncertainty, emigration and economic stagnation in the islands'. In seeking a solution the essential point was that Britain 'should be guided by the wishes of the islanders themselves'.

Mr Ridley said that he had visited the islands between 22 and 29 November to consult the islanders on ways of proceeding. Various possible bases for seeking a negotiated settlement had been discussed, including a way of freezing the dispute for a period or exchanging the title of sovereignty against a long lease of the islands back to the British Government. The essential elements of any solution, however, would be the preservation of British administration, law and way of life for the islanders while releasing the potential of the islands' economy and maritime resources at present blighted by the dispute. It was for the islanders to advise on which, if any, option should be explored with Argentina. Any settlement would have to be endorsed by them and by the British Parliament.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Economy

Measures in support of the Government's medium-term financial strategy were announced by the Chancellor of the Exchequer, Sir Geoffrey Howe, to the House of Commons on 24 November (*Hansard*, Vol 994, No 3, cols 312-17). They included an immediate cut in minimum lending rate from 16 per cent to 14 per cent, reductions in planned public expenditure in 1981-82, increased national insurance contributions and a supplementary oil tax (both effective from April 1981). The Chancellor also described a number of improvements in methods of monetary control to be made by the Bank of England. The Government's strategy gives priority to cutting inflation through a reduction in monetary growth and complementary fiscal policy.

ECONOMIC STATEMENT

In order further to offset upward pressures on public expenditure, the Chancellor proposed reductions in the planned volume of most of the Government's spending programmes. His aim was to keep the planning total in 1981-82 about 1 per cent below the volume outturn now expected for the current year. Increased revenues would also be required so that the public sector borrowing requirement (PSBR) in 1981-82 remained consistent with the Government's medium-term economic strategy.

Public Expenditure

Sir Geoffrey reminded the House that the unadjusted figure for the PSBR in the first half of the 1980-81 financial year was about £8,500 million. He expected a much lower figure for the second half and the total for the whole year could be about £11,500 million. More than half the increase over last year was 'attributable to the recession being deeper than expected'. The Chancellor now felt that the volume of expenditure in 1980-81 would be some 1·5 per cent higher than expected at the time of the last White Paper on public expenditure, issued in March[1] (see pp 123-30), 'once again very largely because of the effects of the recession. If any excesses were to emerge over this year's cash limits, such overspending will be fully offset by reductions in the corresponding cash limits for 1981-82.'

[1]*The Government's Expenditure Plans 1980-81 to 1983-84.* Cmnd 7841. HMSO, £6·25. ISBN 0 10 178410 4.

Sir Geoffrey went on to say that spending on unemployment and other benefits would be higher in 1981-82 than allowed for in the March White Paper (one effect of the recession being to raise the number of claimants). The recessionary impact on trading conditions was similarly reflected in the external financing limits for the nationalised industries for 1981-82 which, except for steel, were announced separately that day.[1] These provided £620 million more than stated in the March White Paper. The nationalised industries were, however, being required to secure substantial economies totalling more than £750 million. (These amounts and the other changes in public expenditure – see below – are in 1980 survey prices.)

The cost in 1981-82 of the special employment measures announced the previous week (see pp 365-6) would be £245 million, while increased government provision for selective assistance for investment and support for industrial research and development would cost £50 million. Sir Geoffrey explained that these measures would be partly balanced by the substantial reduction in Britain's net contribution to the budget of the European Community as a result of the agreement negotiated in May (see pp 182-4). Refunds in 1981 were now expected to be some £650 million.

Mentioning some of the main changes in the Government's spending programme, Sir Geoffrey explained that 'the scale of defence expenditure is such that we must make some adjustment. Planned expenditure in 1981-82 will be £200 million less than allowed for in the March White Paper. Defence expenditure grew by 3 per cent in 1979-80. It is now expected to grow by some 2·5 per cent both this year and next.'

The Government would seek for 1981-82 a reduction of about 3 per cent in the volume of local authority current spending compared with that planned for this year. It also proposed to calculate the rate support grant (by means of which central government finances part of the current expenditure of local authorities) on the basis of providing a lower percentage than the 61 per cent (for England and Wales) of recent settlements.

Social security benefits are increased each November to take account of inflation. The Chancellor explained that, as during 1980 prices had

[1]External financing limits are a form of cash limit for individual nationalised industries. They control the amount of finance (by grants or borrowing) which an industry can raise from external sources in any financial year and are thus the difference between the much larger flows of revenue and expenditure, both current and capital.

increased less than allowed for by the Government when it decided on the uprating of benefits effective from November, the real value of benefits would increase. 'Subject to the necessary legislation, this over-provision, at present estimated at one percentage point, will be deducted from the 1981 uprating. This will maintain the real value of the retirement pension. Public service pensions will be treated in the same way.' Any further action on index-linked public sector pensions would follow the report of the Scott Inquiry,[1] expected in December. The Government had also decided that the earnings limit for retirement pensions would remain unchanged, while a decision on the uprating of child benefit would be taken at the time of the Budget. As well as a number of other specific reductions, cash limited central government spending programmes except health were being cut by 2 per cent. In 1981-82 total savings from all reductions would be over £1,000 million.

Sir Geoffrey pointed to the need to restrict the cost, and therefore the cash requirements, of the public sector: 'The cost of public expenditure programmes is as important as volume. It is essential to our fiscal policy, and also entirely fair, to look in the coming year for a much lower growth in public service earnings than in the recent past.' It had already been announced that the rate support grant limit would restrict to 6 per cent the annual increase in earnings in the current pay round (see p 325) and would provide for an increase in average prices other than pay of 11 per cent between 1980-81 and 1981-82. 'Expenditure in other parts of the public services will be subject to broadly the same financial disciplines.'

Revenue

The Chancellor had been considering the revenue requirements for financing the following year's expenditure. The main fiscal decisions would have to await the Budget but a proposed new scheme of stock relief had already been announced.[2]

Following the review of national insurance contributions customarily undertaken at this time of year, the Government had concluded that an increase in 1981-82 in the rate of employees' contributions[3] would be appropriate, the rise consisting of three parts: an increase of 0·25 of a percentage point needed to keep the National Insurance Fund in balance while meeting much larger demands for benefits; an increase, also by 0·25 of a percentage point, in order to maintain the planned level of health services, in the health element of the national insurance contribution;[1] and, as the Government proposed to reduce the Treasury supplement to the Fund from 18·0 per cent to 14·5 per cent, a further increase of 0·5 of a percentage point. The combined effect of these changes would be to increase the rate of contributions for employees with weekly earnings between £27 and £200 (the new limits) from 6·75 per cent to 7·75 per cent, yielding additional income of about £1,000 million in 1981-82. Other rates and levels, including those for the self-employed, would also change.[2]

In view of the steep rise in the price of oil since 1978 the Government had concluded that there was scope for a further increase in oil taxation. The Chancellor explained that, because of the way in which reliefs were structured, petroleum revenue tax (PRT)[3] was not 'an adequate means of obtaining further revenue'. He would therefore introduce in the next Finance Bill a tax additional to PRT, to take effect from the beginning of 1981-82. It would apply to fields in production, whether or not they were yet liable to PRT; present indications pointed towards a rate of 20 per cent on gross revenue less an allowance. The tax would be deductible in calculating PRT and corporation tax. The Government was also examining the scheme of PRT reliefs and any changes, which would take effect from the same date, would be included in the next Finance Bill. Sir Geoffrey expressed confidence that none of the changes, which together would yield some £1,000 million in 1981-82, mostly from the new tax, would deprive companies of a fair return on their North Sea projects and exploration.

Monetary Policy

The Chancellor told the House that, although inflation was now falling rapidly,[4] monetary growth was likely to exceed its target.[5] Recent statistics, however, had been 'bedevilled by distortions apparent since the abolition of the corset'[6] and the excess would certainly be less than the figures so far suggested. 'There are signs that bank lending is now starting to slow down', said Sir Geoffrey. 'And, as the public sector moves into surplus in the new year, I expect monetary growth to slow down in the rest of the target period.' He did not at the time propose to extend the target period but would announce a new target in the 1981 Budget, which would be

[1]The Government announced in May the establishment of an independent inquiry, to be headed by Sir Bernard Scott, into the value of index-linked pensions in the public sector.

[2]On 14 November the Board of Inland Revenue issued *Stock Relief, A Consultative Document*, inviting comments by the end of December. The existing scheme, conceived as a 'temporary measure' in the Finance Act 1975 (see p 428, 1974) gave businesses relief from Corporation Tax on the increase in the book value of stocks, whether the result of increases in prices or in volume. If the book value fell, relief was recovered by way of a tax charge ('clawback'). According to the new proposals, designed to come into effect immediately, clawback, which is causing major problems for businesses at a time when they are trying to reduce stocks, will virtually disappear. Relief will be confined to the effect of higher prices, as measured by an 'all-stocks' index.

[3]This is at present 6·75 per cent of earnings. No contributions are payable on the excess of weekly earnings over £165 and weekly earnings of less than £23 are exempt.

[1]A small proportion of the employees' contributions is paid towards meeting the costs of the National Health Service.

[2]The rate of employers' contributions would not change but the amount would increase, both because of the raising of the limit on earnings above which no additional contributions will be payable and because of the rise in the average level of earnings.

[3]For further information on PRT, see COI fact sheet *A Short Guide to Taxes*, No 24/FSB/80, p 6.

[4]In October the index of retail prices increased by only 4·3 per cent at a six-monthly rate.

[5]In the March Budget (see p 113) the target range of growth of sterling M3 (money in circulation and the sterling bank deposits of British residents) for the period mid-February 1980 to mid-April 1981 was set at an annual rate of 7-11 per cent.

[6]The supplementary special deposits scheme (the 'corset', see p 19, 1974) had encouraged banks to move lending into uncontrolled channels. The return of business within the measured money supply following its removal in June inflated sterling M3 artificially for a number of weeks.

designed 'to ensure that the thrust of the medium-term financial strategy is maintained'.

The Chancellor went on to say that the Treasury and the Bank of England had completed the consultations arising from the consultative document on methods of monetary control published in March[1] (see pp 131-2) and by the time of the Budget a number of improvements would be set in hand. First, the detailed consideration of new prudential arrangements for the banks would be concluded 'so that the reserve asset ratio,[2] which has complicated monetary control, can be phased out'. Secondly, the Bank of England would develop changes in its open market operations (trading in government securities) and lending of last resort (lending to the discount market to relieve a cash shortage) that would 'allow the market a greater role in the determination of the structure of short-term interest rates'. Thirdly, the Government was considering the future of the cash ratio of the clearing banks and also collecting and publishing an additional series for banking retail deposits. 'These steps', explained Sir Geoffrey, 'are desirable in their own right [and] would be consistent with a gradual evolution towards a monetary base system,[3] and will help us to judge how far such a system would contribute towards our medium-term monetary objectives.'

The Chancellor promised further steps to mobilise directly a larger share of personal savings (see below).

Interest Rates

'The changes which I have announced', the Chancellor concluded, 'should leave no room for doubt about my determination to control the PSBR so as to lighten the burden on the private sector.' In view of the decline in monetary growth expected in 1981 and the appreciable fall in inflation, which was now well below the current level of short-term interest rates, he had decided, in agreement with the Governor of the Bank of England, that some reduction in these rates was possible. Accordingly, the Bank, with the Chancellor's approval, was announcing that afternoon a reduction in minimum lending rate from 16 per cent to 14 per cent.

PARLIAMENTARY DEBATE

The House of Commons discussed the economic statement in the debate on the Queen's Speech on 27 November (*Hansard*, Vol 994, No 6, cols 883-1008).

Opposition View

For the Opposition, Mr Denis Healey said (cols 883-97) that the Government's economic policy 'was never directed to the real economy but wholly to certain monetary and financial objectives. The Government aimed to sacrifice everything else to the control in the growth in the money supply, believing that this was the only thing that a government can control.' He went on to draw attention to the rise in unemployment and argued that cutbacks in investment and in industrial training meant that firms would have to meet the economic recovery with inadequate machinery and a shortage of skilled workers.

Mr Healey rejected the idea that the poor performance of the economy was caused by the world recession, which itself had been brought about by the recent increase in the price of oil. Instead, he felt that domestic demand had 'led to recession' and that deflation was the direct result of government policy. The announced cuts in planned public expenditure and the increases in national insurance contributions would lead to further deflation and unemployment. The reduction in minimum lending rate, meanwhile, was too small to affect the exchange rate for sterling which, he maintained, was so high that it was damaging industry.

After calling for a tax on the 'windfall' profits of banks, Mr Healey went on to make three specific recommendations. First, monetary targets should be set close to the expected growth of money gross domestic product. Secondly, the Government should allow the PSBR to rise when the economy was clearly working below capacity, acting 'as an automatic regulator which tends to restore balance to the economy'. Thirdly, the Government should act to reduce the appreciation of the pound. 'However,' Mr Healey concluded, 'none of these measures will work for long if employers and unions take advantage of the more relaxed fiscal and monetary policy to raise their prices or their earnings way beyond increases in their productivity.' He therefore called for a 'social consensus that leads to moderation on pay and prices'.

Government Reply

The Chancellor, replying for the Government (cols 897-911), said: 'At the heart of our strategy is our conviction that inflation is the first enemy.' Monetary policy, he continued, had a crucial part to play in the battle against inflation. He gave reasons for the rapid growth in sterling M3 in recent months, which included the removal of the corset; the size of the surplus on the current account of the balance of payments; the financial needs of the corporate sector; and, in the first half of the year, the scale of public sector borrowing. There were, however, signs of a downturn in the growth of bank lending, which should be confirmed as inflation eased and if wage settlements continued 'at a realistic level'. Therefore, 'over the 14 months of the target period monetary growth will be significantly less than the figure so far would suggest'. It was against this background that minimum lending rate had been reduced and that the techniques for monetary control had been revised in the light of the response to the consultative document. 'The changes that I announced on Monday,' the Chancellor explained, 'open up the way to a move, in the longer term, to a system of judgments about

[1] *Monetary Control*. Cmnd 7858. HMSO, £2·50. ISBN 0 10 178580 1.

[2] Control by this ratio requires the banks to keep a minimum proportion of their eligible liabilities in reserve assets, consisting of balances at the Bank of England or loans at call to the discount market.

[3] Under such a system the monetary base is defined as bank deposits at the Bank of England plus, possibly, bank holdings of notes and coin. The Bank can control the money supply by acting on the monetary base as it can readily control its constituent elements.

the appropriate level of interest rates to be replaced by control of the monetary base. Such a system has attractions and a decision for or against it will be taken, as is right, as more information becomes available.'

He went on to say that monetary control in 1981-82 would be improved if the public sector could attract a larger share of personal savings. The target for the year was additional national savings of £3,000 million. Sir Geoffrey reminded the House that since 17 November indexed National Savings Certificates had been available to anyone over the age of 60 and in due course he intended to extend eligibility further. He had also decided to increase the maximum permitted deposit in National Savings Bank Investment Accounts from £50,000 to £200,000 and to improve the attractiveness of the Premium Bond scheme.[1]

In response to a question the Chancellor assured the House that the measures were designed to ensure that unemployment began to fall. He added: 'All these measures, including monetary measures, will help to maintain our medium-term strategy. They will help the Government to borrow in ways that are not inflationary. However, we must also ensure that borrowing is held firmly in check. That is why it is important to come to the right judgment on the size of the public sector borrowing requirement.' The Government accepted that it might be legitimate for the PSBR to rise at a time of recession but it was anxious that the rise should not be too much. It was for this reason that action was proposed on both revenue and expenditure in 1981-82.

Explaining his decision to introduce an additional oil tax and to increase national insurance contributions, Sir Geoffrey said that, as the economic squeeze had not affected North Sea operations or those who had been able to keep their jobs, these were the areas from which required new revenue should be sought.

'It is clearly right', the Chancellor continued, 'to sustain spending on the health service in real terms, even if we have to seek higher national insurance contributions from employees to provide the additional revenue.'

Sir Geoffrey concluded by assuring the House of 'the determination of this administration to control public expenditure, both in terms of volume and cost. No one should have any doubt that we are pursuing the right strategy, through conditions inevitably more adverse than anyone had foreseen. Our objective must be to adjust the balance of the economy, to lay the foundations for renewed growth with the conquest of inflation. The strategy is achieving just that. The decline in gross domestic product is coming towards an end. Pay bargaining is displaying a new sense of realism. Industrial disputes are fewer at this time than any time in the last 30 years. Inflation during the last six months has been running at an annual rate of less than 10 per cent. This week's reduction in interest rates will bring further valuable encouragement.'

[1]The Department for National Savings announced the same day that, from April 1981, the number of Premium Bond prizes paid each month would be raised from 75,000 to 100,000, the increase being mainly in the number of £50 prizes.

Special Employment Measures

The Government has announced the expansion of its schemes to assist the unemployed for the year 1981-82, entailing an increase in planned expenditure from £325 million to £570 million. The Special Temporary Employment Programme is to be replaced by a new Community Enterprise Programme.

Against a background of rising unemployment,[1] the Government is to expand existing schemes to help the unemployed and to introduce a new Community Enterprise Programme to replace the Special Temporary Employment Programme (STEP – see p 279, 1977). The Secretary of State for Employment, Mr James Prior, gave details of the measures in the House of Commons on 21 November (*Hansard*, Vol 994, No 2, cols 204-25), following an announcement by the Prime Minister, Mrs Margaret Thatcher, during the debate on the Queen's Speech on 20 November (*Hansard*, Vol 994, No 1, col 34). The measures were, Mr Prior said, 'a massive practical demonstration of our concern for the unemployed'.

Youth Unemployment

Mr Prior pointed out that the present high level of unemployment affected young people fresh from school more than most. 'We have a special duty', he continued, 'to ensure that in these difficult times their prospects are not permanently damaged.' Accordingly, the Youth Opportunities Programme (see pp 278-9, 1977, and p 68, 1978), which provides work experience and training opportunities for unemployed young people designed to improve their prospects of permanent jobs, would be expanded to provide 440,000 places in 1981-82 – 180,000 more than planned for 1980-81 and more than double the number available in 1979-80. The Community Industry Scheme for personally or socially disadvantaged unemployed young people (see p 285, 1973) is also to provide 1,000 more places than the current total of 6,000.

The Youth Opportunities Programme had, Mr Prior said, been very successful in meeting the undertakings to school leavers and the longer-term unemployed. However, some young people had to wait for up to a year before getting any chance to work, and even then the opportunity sometimes did too little to prepare them for proper work. He was therefore asking the Manpower Services Commission, which administers the scheme, to offer a suitable place by Christmas rather than by Easter to all young people who had left school in the summer and had not found work. The Commission would also be asked to offer a suitable place, within three months if possible, to any 16- or 17-year-old who had been registered as unemployed for three months. In addition more emphasis would be placed on giving a young person, who had completed a course or scheme and still had no job, the chance to progress to another course or scheme.

[1]In November 1980 unemployment stood at just over 2 million, or 8·4 per cent of the working population.

Mr Prior said that the Government intended, as far as resources permitted, to reach the point where every 16- and 17-year-old not in education or a job would be assured of vocational preparation lasting, as necessary, up to his or her eighteenth birthday. This programme represented 'a new deal for the young unemployed'. To help the careers service to make its essential contribution to the expanded programme,[1] the Government would fund another 200 posts for this work.

Adult Unemployment

Turning to measures for the adult unemployed, Mr Prior said: 'It is unrealistic to suppose that special measures can do as much for them as for the young. For most of the unemployed the only solution is the creation of lasting and viable jobs, which will appear only as we establish a sound economy.' Nevertheless, the Government had a duty to ease the transition to that situation as far as possible; it was convinced that more opportunities for useful activity could be provided if greater emphasis were placed on work of environmental improvement and if greater encouragement were given for projects arranged by voluntary agencies. A new impetus was needed, and STEP was therefore to be replaced by a new Community Enterprise Programme, which the Government intended to continue for at least three years, although with annual reviews. The aim would be to provide 25,000 filled places by March 1982, more than double the number under STEP at present. Priority would be given to the long-term unemployed, but for the first time 18-year-olds would be admitted to the programme if they had been unemployed for more than six months.

The Community Enterprise Programme would be nationwide, but with priority given to projects in areas of high unemployment. The Programme would encourage private-sector sponsorship of projects benefiting the community and provide funds for partnerships involving the private sector, public and community bodies in the creation of new enterprises.

Mr Prior also reaffirmed the Government's wish to see more opportunities for voluntary activity for those who were out of work. The Community Enterprise Programme would provide many more opportunities for voluntary organisations to sponsor projects, and they would be able to recruit full-time temporary employees to help the unemployed to find part-time voluntary work in the local community. To remove any unnecessary obstacles in the way of unemployed people taking up voluntary work, the Secretary of State for Social Services would take steps to modify the regulations allowing such work to be undertaken without loss of unemployment pay or social security benefit.

Mr Prior said that the Job Release Scheme (see p 413, 1976), which creates vacancies for the unemployed by enabling older workers to leave their jobs before retirement age, would be continued on the present basis. The Temporary Short-time Working Compensation Scheme (see p 381, 1978), reimbursing employers for payments made to employees on short time as an alternative to redundancy, would also continue, but the maximum period of support would in future be increased to nine months from six, the level of assistance being reduced from 75 per cent to 50 per cent of normal earnings.

[1]The development of the Youth Opportunities Programme is seen by the Government in the wider context of improving preparation for and training in work for all young people, not just the unemployed. The Manpower Services Commission and the education departments of local authorities (responsible for running the careers service) will accordingly accelerate the extension of vocational preparation schemes over the coming three years for those who have jobs but are given little or no systematic training or further education.

Visible Trade

Major changes in Britain's visible trade (trade in goods) since the end of the second world war in 1945 have included a substantial rise in trade with other members of the European Community, a large increase in the proportion of imports accounted for by manufactured goods with a corresponding decline in the shares of food and basic materials and, since 1977, changes arising from North Sea oil production which has had a noticeable impact on trade flows and on sterling. Exports of goods and services continue to be of greater importance to Britain than for the other main industrialised countries.

These are some of the main points brought out in an article 'UK visible trade in the post-war years' in the October 1980 edition of *Economic Trends*.[1]

Importance of Trade in the British Economy

In 1978 exports of goods and services accounted for 30 per cent of Britain's gross domestic product (GDP), compared with 26 per cent for the Federal Republic of Germany, 21 per cent for France, 11 per cent for Japan and 8·5 per cent for the United States. For goods alone as a percentage of GDP, the shares for Britain and the Federal Republic of Germany were the same (22 per cent) and exceeded those of the other three countries. The importance of trade in all these countries increased strongly during the 1970s as trade barriers were lowered and international production became increasingly specialised.

Growth of Visible Trade

The article says that since 1946 the volume of Britain's exports and imports has risen by nearly fivefold (in terms of value this represents a more than fortyfold increase). The volume of exports has grown more quickly than that of imports, reflecting the substantially faster growth in exports just after the end of the second world war. From 1955 they have grown by roughly the same amount, an average of 4·5 per cent a year, although the article points out that exports of manufactures have risen by 4 per cent a year, compared with 9 per cent for imports.

Britain has normally had a deficit on visible trade and in only three of the years since 1946

[1]HMSO, £6·45. ISBN 0 11 726028 2.

(1956, 1958 and 1971) was there a visible surplus. The average annual ratio of exports to imports was 94 per cent in the 1950s, 94 per cent in the 1960s and 90 per cent in the 1970s, indicating a deterioration in the visible trade balance in the last decade.

Changes in Commodity Structure

Britain was traditionally an importer of food and raw materials and an exporter of manufactures, but since 1950 the import pattern has changed considerably, with about two-thirds of imports now accounted for by finished and semi-finished manufactures. Tables 1 and 2 show the shares of exports and imports respectively accounted for by the different classes of commodity.

Exports

Manufactures are still responsible for the bulk of exports, although there has been a shift towards finished, rather than semi-finished, goods. The recent decline in the proportion of finished manufactures in exports reflects the growing importance of North Sea oil exports while the 1979 figure was reduced by about 2 per cent as a result of problems in Iran and Nigeria. Within finished manufactures, electrical machinery has doubled in importance since 1950 to account for 12 per cent of exports, while there has been a decline in the share for passenger motor cars. Chemicals have also doubled in importance to 12 per cent, but there has been a marked decline in the importance of textiles.

The article says that Britain's generally declining share of world exports of manufactures (see Table 3) reflects the fact that the volume of its exports of manufactured goods has increased at an average annual rate of about half that of the main manufacturing countries as a whole. Although various factors, such as the erosion of Commonwealth preferences and poor price competitiveness in the short term, have contributed to this decline, the article says that the main reason is likely to have been 'weak industrial performance, including non-price factors such as product design, marketing, reliability and after-sales

Table 1
Exports by Commodity

Per cent

	1950	1955	1960	1965	1970	1975	1978	1979
Food, beverages and tobacco	7	6	6	7	6	7	8	7
Basic materials	6	6	5	3	3	3	3	3
Fuels	3	5	4	3	3	4	6	10
Semi-manufactures	40	38	35	35	34	32	34	34
Finished manufactures	41	42	47	49	50	51	47	44
Miscellaneous	2	3	3	4	3	4	3	3

Note: The columns may not total 100 because of rounding.

Table 2
Imports by Commodity

Per cent

	1950	1955	1960	1965	1970	1975	1978	1979
Food, beverages and tobacco	39	37	33	30	22	18	15	13
Basic materials	35	29	23	19	15	9	8	8
Fuels	8	11	10	11	10	18	12	12
Semi-manufactures	14	18	22	24	27	25	28	29
Finished manufactures	4	5	11	15	24	28	35	36
Miscellaneous	–	–	1	1	1	2	1	2

Note: The columns may not total 100 because of rounding.

Table 3
Shares of Main Manufacturing Countries' Exports of Manufactured Goods

Per cent

	1950	1955	1960	1965	1970	1975	1978	1979
Britain	26	20	16	14	11	9½	9½	9½
Federal Republic of Germany	7	15	19	19	20	20	21	21
France	10	9½	9½	9	9	10	10	10½
Japan	3	5	7	9½	12	14	16	14
United States	27	24	22	20	19	18	15	16

Note: The main manufacturing countries are taken as the five in the table together with Belgium/Luxembourg, Canada, Italy, the Netherlands, Sweden and Switzerland.

service'. It notes that Britain's share appears to hold up better in periods of slower world trade growth; since 1973 the share has stabilised at about 9 to 9½ per cent.

Imports

The article records the substantial change in the pattern of imports (see Table 2). In 1950 imports of food and basic materials accounted for three-quarters of imports, but this proportion had declined to one-fifth by 1979 and there was a large rise in the shares of finished and semi-finished goods, particularly the former which accounted for 36 per cent of imports in 1979 as against 4 per cent in 1950. According to the article, the increased import penetration in manufactures appears to reflect domestic supply difficulties and poor performance on non-price aspects, the same factors which adversely affected Britain's export performance. The decline in the proportion of food imports reflects the increasing extent to which demand for food has been met by domestic agriculture and the smaller share of consumers' expenditure devoted to food, while the decline for basic materials reflects the tendency for producer countries to undertake processing of primary products up to the semi-finished and occasionally finished stage. The changes occurring in the commodity composition of Britain's imports have also taken place in the other major industrialised countries, although to a lesser degree. Imports of manufactures account for some 65 per cent of Britain's imports, compared with 60 per cent in France, 58 per cent in the Federal Republic of Germany and 53 per cent in the United States, but less than 25 per cent in Japan.

Changes in Area Structure

In the last 30 years trade with the rest of Europe has become increasingly important, representing nearly 60 per cent of Britain's trade in 1979 as against some 30 per cent in 1950, while trade with other Commonwealth countries declined in this period from 40 to less than 15 per cent. By 1979 all the other countries of the European Community were in the top ten British export markets (see Table 5) and in 1979 the Federal Republic of Germany overtook the United States as Britain's largest single export market. The broad area and country position on imports is similar to that on exports, with a big rise in the proportion of imports from other Community countries; by 1979 all the other Community countries except Denmark were in the ten leading import suppliers. Other features in the 1970s were a decline in the importance of North America as a trading partner and the emergence of the oil-exporting countries as a major market for Britain and other countries. Tables 4 and 5 show a summary of the area destination of British exports and Britain's main individual export markets.

Table 4
Exports by Area

Per cent

	1950	1955	1960	1965	1970	1975	1978	1979
European Community	19	20	22	26	29	32	38	42
Rest of Western Europe	12	12	12	16	17	17	15	16
North America	11	11	16	15	15	12	11	11
Other developed countries	21	20	15	15	12	9	6	6
Oil-exporting countries	6	4	7	6	6	11	13	9
Other developing countries	29	30	25	20	17	15	13	13
Centrally planned economies	2	2	3	3	4	3	3	3
Commonwealth countries (included in some of the categories above)	*38*	*38*	*34*	*26*	*20*	*16*	*15*	*12*

Table 5
Exports: Main Markets

Per cent

1950		1965		1979	
Australia	11·4	United States	10·5	Federal Republic of Germany	9·9
Canada	5·7	Federal Republic of Germany	5·8	United States	9·5
United States	5·6	Australia	5·8	France	7·2
South Africa	5·4	South Africa	5·4	Netherlands	7·2
India	4·3	Sweden	4·6	Irish Republic	6·0
Irish Republic	4·0	Canada	4·2	Belgium/Luxembourg	5·8
New Zealand	3·9	Netherlands	4·1	Switzerland	5·6
Sweden	3·6	France	4·0	Sweden	3·6
Netherlands	3·4	Irish Republic	3·8	Italy	3·4
Denmark	2·9	Belgium/Luxembourg	3·6	Denmark	2·4

Table 6
Imports by Area

Per cent

	1950	1955	1960	1965	1970	1975	1978	1979
European Community	19	18	20	24	27	36	41	43
Rest of Western Europe	8	10	11	12	14	15	17	17
North America	15	20	20	20	21	13	13	13
Other developed countries	16	14	12	12	9	8	7	6
Oil-exporting countries	9	10	11	10	9	14	9	7
Other developing countries	30	25	22	19	15	11	11	11
Centrally planned economies	3	3	4	4	4	3	3	3
Commonwealth countries (included in some of the categories above)	*40*	*39*	*31*	*29*	*23*	*14*	*11*	*11*

Table 7
Imports: Major Suppliers

Per cent

1950		1965		1979	
Australia	8·4	United States	11·7	Federal Republic of Germany	12·0
United States	8·1	Canada	8·0	United States	10·0
Canada	7·0	Netherlands	4·7	France	8·4
New Zealand	5·1	Federal Republic of Germany	4·6	Netherlands	7·1
France	4·2	Australia	3·8	Switzerland	5·3
Denmark	3·9	Sweden	3·7	Italy	5·1
India	3·8	New Zealand	3·6	Belgium/Luxembourg	4·8
Argentina	3·7	Denmark	3·4	Irish Republic	3·5
Netherlands	3·3	France	3·3	Sweden	3·3
Nigeria	2·8	South Africa	3·1	Japan	3·1

Tables 6 and 7 show the equivalent figures for the sources of imports.

About three-quarters of Britain's imports and exports are with other developed countries, similar to the trading pattern of France and the Federal Republic of Germany, but a higher proportion than for the United States (about three-fifths of exports and just over half of imports) and Japan (under half of exports and about two-fifths of imports) reflecting geographical factors.

North Sea Oil

The article says that the availability of oil 'has had a considerable effect on the UK economy as a whole and on trade performance in particular'. The volume of imported crude oil in 1979 was about half that in 1973 and exports had risen to £2,713 million in 1979, compared with £178 million in 1976. It points out, however, that 'North Sea oil has had a more profound effect. It has contributed to the recent strength of sterling, both through its direct effects on the visible balance and also, and probably more importantly, through its effect on overseas confidence in sterling at a time of rapid rises in world oil prices.' This has had 'considerable implications for trade flows in the non-oil sector'. With inflation higher in Britain than in its major competitors, one implication has been the sharp deterioration in Britain's competitiveness which has 'favoured imports at the expense of domestically produced manufactured goods and has had an adverse effect on exports of these goods at a time when world trade has been comparatively sluggish'. Accordingly, while Britain's oil deficit has been reduced by over £3 billion[1] in the last three years, the surplus on manufactured goods has fallen by a similar amount from a peak of nearly £6 billion in 1977 to £2·8 billion in 1979, although the article notes that problems in Iran and Nigeria in the latter year reduced exports of manufactures to these countries by about £1 billion.

Developments in 1980

The article concludes with a summary and a description of trade developments in 1980. It says that there has been a substantial improvement in Britain's visible trade in 1980 and the balance is 'now in strong surplus'. In the first nine months of the year there was a visible deficit of £0·2 billion, compared with nearly £3·5 billion in the whole of 1979.[2] Exports were sustained early in 1980 by a higher than expected level of world trade, particularly in the oil-exporting countries, which alleviated the adverse effects of declining competitiveness and the high exchange rate. However, the main contribution to the improved balance has resulted from a marked decline in the volume of imports, reflecting weaker domestic demand, particularly in stockbuilding.

[1]£1 billion = £1,000 million.
[2]The visible trade surplus in October 1980 was £459 million.

Research and Development Requirements and Programmes

The Department of Industry's annual report[1] on research and development projects funded through its divisions and Requirements Boards, published on 24 November, shows that its total expenditure on research and development in 1979-80 was £177 million – an increase of 13 per cent in real terms over 1978-79. Some substantial export orders and the successful introduction of new industrial processes and products are directly attributable to such expenditure in recent years.

Support for research and development by the Department is designed to encourage British industry to increase its competitiveness both in the immediate future and in the longer term. A growing proportion (now 50 per cent) of the Department's expenditure is going towards research carried out in industry, while other work is done by research associations and government research establishments. One important aspect of the Department's policy is to support technological research in ways which will lead to the rapid appearance of new products and processes; while another part of its strategy is concern for long-term research programmes which will affect the manufacturing techniques and products of the next decade (such as robotics and automation, information technology and telecommunications, optoelectronics and biotechnology).

Micro-electronics

Much of the increase in 1979-80 was devoted to more than doubling financial support (from £4·9 million to £11·3 million) for the technology of micro-electronics and its application to industry. Expenditure in this area in 1979-80 assisted the development of micro-electronic components under the Department's Micro-electronics Industry Support Programme (see p 388, 1979), development and marketing of computer programs under the Software Products Scheme (see p 434, 1978) and application feasibility studies, development and training under the Microprocessor Applications Project (see p 388, 1979).

Products and Processes

An even larger part of the increased expenditure in 1979-80 was allocated to help to industrial firms to develop and launch a wide variety of new or improved products. (Most of this falls under the Department's Product and Process Development Scheme (PPDS).) Assistance in this category has increased from £8·3 million in 1978-79 to an estimated £19·3 million in 1979-80. Most of the projects supported under the PPDS have come from small or medium-sized firms keen to make technologically up-to-date products for both British and overseas markets.

Production Technology

Production technology as a whole is seen as important by many of the Department's Requirements Boards. Priorities for research and development in this area include computer-aided engineering, robotics and automated small-batch production; and new or improved materials – particularly engineering applications of fibre-reinforced plastics. Support for mechanical engineering and machine tools rose from £10·2 million in 1978-79 to £13·0 million in 1979-80; and that for engineering materials from £6·2 million in 1978-79 to £8·7 million in 1979-80.

Other Programmes

Other research and development areas funded by the Department in 1979-80 included: space technology, £37·1 million (of which £33·3 million was spent as Britain's contribution to the programmes of the European Space Agency); civil aeronautical technology, £20·5 million; metrology and standards, £11·0 million; chemicals and minerals, £9·2 million; technology transfer (ensuring the dissemination and application of the results of research and development programmes), £9·1 million; computers, systems and electronics, £6·9 million; and ship and marine technology, £4·2 million.

Examples of individual programmes supported by the Department are: the civil aircraft simulator project, funded for several years, the success of which has been emphasised by the large orders now being placed in Britain by overseas – particularly United States – customers; the development of a low-cost standard paper-mill, ideal for use where there is a shortage of skilled manpower – particularly in the developing countries; a testing programme for British clays, which has revealed an indigenous pot clay for manufacturing lead crystal glass; inorganic adsorbents developed at the Atomic Energy Research Establishment, Harwell (Oxfordshire) – manufactured by BDH Limited and in use throughout the world for purifying proteins; a system for the computer-aided design and manufacture of dies for complex hot extruded sections, developed by the British Non-ferrous Metals Technology Centre and now in use by several companies in Britain and overseas; a computer-aided draughting system developed by Baker Perkins, the expertise in which, and in several related projects, is being disseminated to other British companies; and an advisory service for industry on the application of robots, run for the Department by the Production Engineering Research Association (see ACARD report, p 348, 1979).

The report also notes the establishment by the Department of Industry during 1980 of the Technology Advisory Point – part of its research establishment management division – from which enquirers can be directed to the appropriate source of expertise.

[1] *Research and Development Requirements and Programmes. Report 1979-80.* Available free from the Department of Industry, Ashdown House, 123 Victoria Street, London SW1E 6RB.

Shorter Notes

NATIONAL ENTERPRISE BOARD CAPITAL VENTURE FUND

The National Enterprise Board (NEB) is co-operating with a Californian venture capitalist, Mr Jack

Melchor, to provide investment funds to help to develop new advanced technology (and particularly electronics) businesses in the English assisted areas. Announced on 20 November, the project is the first part of a £25 million three-year programme which the NEB is mounting following a review of its role in the assisted areas and revisions to its guidelines (see p 300). The project will comprise a jointly owned management company and a £2 million venture fund company wholly owned by the NEB. Mr Melchor will direct the activities of the management company, which will identify investment opportunities, negotiate terms for investments and manage them on behalf of the fund company. Additional funds for the various enterprises will be sought from the private sector.

An important role for the management company will be to investigate the opportunities to establish British companies to make high technology products already successfully launched in the United States. The company will have bases in Manchester and in California's 'silicon valley', an area with one of the most significant concentrations of high technology businesses in the world. The company will also be looking for British entrepreneurs with their own plans for high technology products.

It has been arranged that if, after at least three years of operation, the management company can generate sufficient funds to cover its costs in Manchester and California, the NEB's shareholding in the company may be bought out by Mr Melchor.

The NEB expects the project to become a focal point for the promotion of new technologies and ideas by venture capital.

FLUIDISED BED COMBUSTION

A review of the progress being made in fluidised bed combustion (FBC),[1] a technique pioneered in Britain and claimed to be the most important advance in large-scale coal combustion in the twentieth century, was given by the Chairman of the National Coal Board (NCB), Sir Derek Ezra, in a speech at an international conference in London on 4 November. Sir Derek announced that construction of a £20 million pressurised FBC test facility at Grimethorpe (South Yorkshire), the biggest of its type in the world, had been completed. This project is financed equally by Britain, the United States and the Federal Republic of Germany under the auspices of the International Energy Agency (see p 27, 1976) and, after completion of trials, a three-year programme will begin with the aim of producing the data and operating experience that would lead to the design of commercial pressurised FBC coal-fired power stations. Sir Derek listed the major advantages of FBC of coal over other combustion systems including lower running costs compared with oil, a high rate of heat transfer enabling smaller and cheaper boilers to be used, the ability to use a wide range of coals, lower pollution from sulphur dioxide (if limestone or dolomite were added to the bed), and the prospect of high-efficiency electricity generation with combined cycles of steam and gas turbines powered by the same fluidised combustor (as in the Grimethorpe test facility). All these major benefits had been harnessed 'to give Britain a world lead in the development of fluidised combustion technology'.

Sir Derek said that FBC was already 'helping industry to use energy more effectively and to contain costs'. FBC had been pioneered by the NCB and developed jointly with boiler manufacturers and industry, and systems were becoming commercially available. Fourteen coal FBC systems were operating in Britain in industry (in factories and a cement works), agriculture and horticulture (for grass drying and tomato growing) and for district heating, and 12 more were being installed or had been ordered. Orders for a further 21 systems had been received from other countries.

[1]The process involves the burning of crushed coal in a bed of inert material through which air is passed so that the bed bubbles like a boiling liquid.

SYNCHROTRON RADIATION SOURCE

The world's first purpose-built source of synchrotron radiation for scientific research, the Synchrotron Radiation Source (SRS) at the Science Research Council's Daresbury Laboratory in Cheshire, was inaugurated by the Secretary of State for Education and Science, Mr Mark Carlisle, on 7 November.

Synchrotron radiation is the name given to the electromagnetic radiation emitted by electrons when they are accelerated as a beam deflected round in a giant ring of magnets. The beam can be maintained for several hours, feeding radiation to as many as 50 experiments linked to the ring. The SRS consists of a 12-MeV[1] linear accelerator acting as injector for a 600-MeV synchrotron, these being housed in separate shielded enclosures connected by a transfer line to the 2-GeV[1] storage ring in its own shielding tunnel. The whole machine is controlled by means of computers. The Council decided to build the facility in 1975, and work was completed in 1980 at a cost of £5·4 million.

A large number of different research groups will have the opportunity to use the SRS. Synchrotron radiation can be used to investigate the structure and behaviour of matter at all levels from atoms through large molecules to crystals and bulk materials. It can be applied to the study of molecules which are important in chemical reactions, living matter or outer space; to single cells and viruses; to solid surfaces, liquids and gases; and to semiconducting and magnetic materials. It is being used for such diverse purposes as: understanding the molecular mechanism which drives muscle; characterising the properties of chemicals used in drugs; watching crystals growing and determining their structure; making measurements of chemical changes in times shorter

[1]MeV = mega (million) electron-volts. GeV = giga (thousand million) electron-volts.

than one thousand millionth of a second; and as a standard for calibration of other light sources and detectors.

STARLINK

Starlink is a network of powerful computer systems located at six centres of astronomical research in Britain to provide and co-ordinate image processing and data reduction facilities for use by British astronomers. Launched by the Science Research Council (SRC) at a capital cost of £1·8 million and inaugurated by the Parliamentary Under-Secretary of State for Education and Science, Mr Neil MacFarlane, on 24 October, Starlink illustrates the SRC's policy of maintaining Britain in the forefront of astronomical research. The SRC's Rutherford and Appleton Laboratories near Didcot in Oxfordshire form the centre of the network.

Astronomers in Britain now have access to a wide range of telescopes operating at all wavelengths, both on the ground and in space. These telescopes are equipped with instruments that produce data in the form of large digital arrays; in the 1980s, most astronomical research will be done using data in digital form and adequate image processing facilities are therefore essential.

NORTHERN IRELAND DEVELOPMENT AGENCY: REVISED GUIDELINES

The Government has issued the Northern Ireland Development Agency (NIDA)[1] with new draft guidelines following a review of industrial policy in Northern Ireland (see pp 133-4). The changes reflect the Government's view that maximum private sector participation should be sought in industrial investment. The NIDA's major responsibilities will now consist of (i) providing investment finance (either by equity loans or guarantees) and related advice for industrial projects in Northern Ireland; (ii) identifying industrial growth sectors for promotion, particularly in areas of new high technology; and (iii) promoting joint ventures between Northern Ireland companies and companies operating elsewhere. The NIDA will also continue to provide support for marketing companies representing groups of firms with related products. However, the agency will no longer have the role of setting up and operating state industries, nor will it be directly involved in rescuing firms in financial difficulties. Changes similar to these have already been made to the powers of the National Enterprise Board (see p 300) and the Scottish and Welsh Development Agencies (see p 27).

[1]The NIDA was established in 1976 with a wide range of responsibilities for assisting industry in Northern Ireland, which include investment powers corresponding to those of the National Enterprise Board and the Scottish and Welsh Development Agencies. The NIDA does not have the environmental functions of the latter two agencies, however.

CITY OF LONDON MARKETS

Recent developments in City of London markets have included the opening of an unlisted securities market on the Stock Exchange and a 'futures' market in potatoes. Several new markets are planned.

A market in the securities of 11 unlisted companies opened on the Stock Exchange[1] on 10 November; by the end of the month a further six companies had joined the market. The unlisted securities market enables companies to have their securities traded on the Stock Exchange without having to satisfy the stringent conditions that apply to companies which seek a listing. Dealings in unlisted securities on a 'buyer beware, seller beware' basis were already allowed under Rule 163(2), conceived some 30 years ago. In a discussion document published by the Stock Exchange in December 1979 (see p 38) the idea of a three-part market structure for the Stock Exchange was put forward. This would consist of the existing market in listed securities; the market permitted by Rule 163(2), in which brokers transact deals in unlisted securities subject to the consent of the council of the Stock Exchange; and a new market in the unlisted securities of companies willing to accept Stock Exchange regulation. In the document the Stock Exchange expressed the view that the encouragement of small businesses (an objective supported by successive governments and the subject of an interim report by the Committee on the Functioning of Financial Institutions; see pp 105-6, 1979) could be helped by the development of an unlisted securities market. The almost unanimous view of the comments on the document, as reported in a Stock Exchange publication of October 1980,[2] was that a more formal market outside official listing should be encouraged and developed.

Futures markets enable users to protect themselves against adverse price movements by arranging for future purchases or sales of a commodity to take place at currently agreed prices. In June a futures market in potatoes opened on the Baltic Exchange, where trading in grain futures also takes place. Trading is permitted in 11 named varieties of potatoes and about 80-90 deals take place each day.

The world's first oil futures market is expected to open in London in 1981. The London Gold Market and the London Metal Exchange have agreed to co-operate in the formation in 1981 of a futures market in gold. A financial futures market, which will allow users to protect themselves against adverse changes in interest rates and exchange rates, is also planned for London and could open by 1982.

[1]The British Stock Exchange is by far the largest in Europe, accounting in 1979 for 52 per cent of all company listings on exchanges in the member countries of the European Community. For further information, see COI fact sheet *The Stock Exchange*, FSB/F6/79.

[2]*The Stock Exchange Unlisted Securities Market*. Available from the Stock Exchange, London EC2N 1HP. £1.

SOCIAL AND CULTURAL AFFAIRS

Broadcasting

The proposals for the fourth television channel in Wales have been amended and the Broadcasting Act 1980 sets out the new arrangements for the service. The Government is to license a pilot trial for subscription cable television.

Broadcasting Act

The Broadcasting Act (see pp 84-6) contains four main provisions: the establishment of a fourth television channel under the responsibility of the Independent Broadcasting Authority (IBA); the extension of the life of the IBA; the establishment of a single Broadcasting Complaints Commission to deal with complaints of unfair treatment by either the British Broadcasting Corporation (BBC) or the IBA; and financial arrangements for independent local radio.

The main amendments made to the Bill during its passage through Parliament concerned the nature of the fourth channel in Wales. In response to representations made to the Government by Welsh interests, the proposal that Welsh language programmes should be shown on both the new channel and on one BBC channel was changed, and all Welsh language programmes will be broadcast solely on the fourth channel. The service will be operated by a Welsh Fourth Channel Authority which will be responsible for ensuring that a substantial proportion of programmes are in Welsh and that those broadcast between 6·30 and 10 p.m. are mainly in Welsh. The BBC will supply the Welsh Authority with its Welsh language programmes free of charge and the IBA's Welsh contractor will do likewise in return for payment. Other programmes will be provided by independent producers. The transmission of the channel and the arrangements for the sale of advertising on it will remain the responsibility of the IBA. The Welsh Authority's expenses will be met by payment to it of sums which the IBA will raise from the independent television companies.

Subscription Television

A subscription television pilot scheme over cable systems is to be licensed by the Government for an initial period of two years. The trial was announced to the House of Commons on 10 November by the Home Secretary, Mr William Whitelaw (*Hansard*, Vol 992, No 241, written answers, cols 3-5). The number of licensees is to be limited to about 12. The Government considers that it would not be practicable or appropriate for the Home Office to supervise the programmes shown or to exercise the functions of a broadcasting authority in the manner of the BBC and IBA. It intends, therefore, to apply the following general requirements regarding programmes: licensees may only show films which have been registered for public exhibition in a British cinema for 12 months; 'X' rated films (deemed unsuitable for persons under 18) may not be shown before 10 p.m.; licensees may not seek exclusive rights to show sporting and entertainment events of national importance; licensees will be required to submit their programme schedules to the Home Office in advance; and advertising will not be permitted. During the trial the licensees will also be required to conduct research into public reactions to the service and to report to the Home Office. A licence fee will be charged to cover the administrative costs incurred by the Home Office.

Smoking and Health

A new voluntary agreement has been made between the tobacco industry and the Government which will further restrict the advertising and promotion of cigarettes and tobacco.

New measures to reduce the health hazard brought about by smoking were announced to the House of Commons on 21 November by the Secretary of State for Social Services, Mr Patrick Jenkin (*Hansard*, Vol 994, No 2, cols 190-2). They result from government discussions with the tobacco industry and follow the agreement made in 1977 (see p 130, 1977). The measures concern cigarette advertising, government health warnings on cigarette packets and advertisements, and the futher reduction of the tar yields of cigarettes.

The industry has agreed to reduce its spending on cigarette poster advertising and to ban poster advertising on sites adjacent to schools and playgrounds. Agreement has also been reached on a number of related matters, including: discouraging manufacturers of non-tobacco products from including tobacco brand names or designs on goods with a special appeal to young people; prohibiting the advertisement of cigarettes with a tar yield of 20 milligrams or more; banning the

advertising on television of cigars and pipe tobaccos with the same name as cigarette brands; and directing promotional offers to adult smokers and discontinuing unaddressed and anonymously addressed mail offers.

A number of new government health warnings will be carried on cigarette packets and advertisements from February 1981. All warnings will begin with the words 'Danger: HM Government Health Departments' WARNING' and, on cigarette packets, will be followed by any one of three sentences: 'Cigarettes can seriously damage your health'; 'Smoking may cost you more than money'; and 'The more you smoke, the more you risk your health'. Advertisements will display any one of the following: 'Cigarettes can seriously damage your health'; 'Think first – most doctors don't smoke'; and 'Think about the health risks before smoking'. It is intended that each of the three different warnings will be printed on one-third of the packets of every brand at any one time; the warnings on advertisments will be changed periodically.

The last part of the agreement concerns the nature of the cigarette itself. The industry has agreed to reduce the tar yields of cigarettes to an average of 15 milligrams by the end of 1983 (the average at present is 16·5 milligrams). In addition it will aim to introduce new brands only in the low or middle tar categories and will provide funds for research into the modification of cigarettes.

The new agreement is to run until 31 July 1982.

Shorter Notes

HUMAN RIGHTS

Britain's acceptance of the jurisdiction of the European Court of Human Rights and the right of individual petition to the European Commission of Human Rights are to be renewed for a period of five years from January 1981. This was announced by the Prime Minister, Mrs Margaret Thatcher, in response to questions in the House of Commons on 25 November (*Hansard*, Vol 994, No 5, col 90). In a similar parliamentary answer in the House of Lords on the same day (*Hansard* (*HL*), Vol 415, No 2, col 18), the Parliamentary Under-Secretary of State at the Home Office, Lord Belstead, said that the Government attached importance to the support of human rights in Europe and that Britain's acceptance was being renewed for as long a period as any of the countries renewing for specific periods.

DOCUMENTATION

Government and Administration

The Monarchy. COI, No 68/FSB/80.

H-Blocks. The Reality. An illustrated brochure describing the Maze Prison in Northern Ireland and the protest campaign. Free of charge from the Northern Ireland Office.

External Affairs and Defence

The Conference on Security and Co-operation in Europe: A Chronology. COI, No 76/Factel/80.

The European Social Fund. A report from the House of Lords Select Committee on the European Communities (session 1979-80) together with minutes of evidence. HMSO, £6·50. ISBN 0 10 436180 8.

Economic and Scientific Affairs

Customs and Excise. Seventy-first report of the Commissioners for the year ended 31 March 1980. The report shows that over the year receipts rose by 32 per cent, to £18,250 million, representing 38 per cent of central government revenue from taxation. Receipts from value added tax were £8,189 million, 45 per cent of total receipts. They increased by nearly 70 per cent over the year, reflecting the unification of rates at 15 per cent, which substantially raised receipts from October 1979. Duties on hydrocarbon oils, tobacco and alcoholic drink accounted for 44 per cent of total receipts. The cost of administration was £246 million, representing 1·35p for every £1 of revenue. Cmnd 8099. HMSO, £7·10. ISBN 0 10 180990 5.

Stock Relief. A Consultative Document (see p 363). Available from the Board of Inland Revenue, Somerset House, London WC2R 1LB.

The Stock Exchange Unlisted Securities Market (see p 372). Available from the Stock Exchange, London EC2N 1HP. £1.

Employment in Insurance, Banking and Finance in Scotland. Research Paper No 2 of the Economic and Statistical Unit of the Scottish Economic Planning Department. The study concludes that total employment in this sector (which has been one of the main growth areas in Scotland in the past decade) will continue to increase but more slowly than in the 1970s. It is projected that 9,000 jobs will be added between 1979 and 1984, representing an average annual rate of growth of a little over 2 per cent, compared with 4 per cent during 1970-77. Available free from the Scottish Economic Planning Department, Scottish Office, New St Andrew's House, Edinburgh EH1 3TD.

Policy Studies Institute. The Education, Training and Careers of Professional Engineers. A report commissioned by the Committee of Inquiry into the Engineering Profession (see pp 60-1 and 253). HMSO, £5. ISBN 0 11 512927 8.

Health and Safety: Mines 1979. Health and Safety Executive. HMSO, £3·50. ISBN 0 11 883272 7.

The Notification of Accidents and Dangerous Occurrences. Health and Safety Executive. Gives practical guidance to employers on the new simplified procedures for notifying accidents and dangerous occurrences at work which come into effect in Great Britain in 1981. HMSO, £1·50. ISBN 0 11 883413 4.

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Tourism Policy and International Tourism in OECD Member Countries 1980. Report adopted by the OECD Tourism Committee. Covers 1979 and the early months of 1980. Available from HMSO, £8·70. ISBN 92 64 12123 4.

Road Safety. COI, No 45/FSB/80.

CAA Annual Statistics 1979. Available from the CAA, Greville House, 37 Gratton Road, Cheltenham, Gloucestershire. £12. ISBN 0 86039 112 4.

National Ports Council. Annual Report and Accounts 1979. Available from the NPC, Commonwealth House, 1-19 New Oxford Street, London WC1A 1DZ. 75p. ISBN 0 86073 050 6.

Department of Industry Research Establishments Review 1980. [The establishments comprise the National Physical Laboratory, the National Engineering Laboratory, the Warren Spring Laboratory, the National Maritime Institute, the Computer-aided Design Centre, and the Laboratory of the Government Chemist.] Available free from the Library, Department of Industry, Abell House, John Islip Street, London SW1P 4LN.

Research and Development Requirements and Programmes. Report 1979-80 (see p 370). Department of Industry. Available free from the Department at Ashdown House, 123 Victoria Street, London SW1E 6RB.

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Agricultural Research Council. Annual Report 1979-80. HMSO, £8·80. ISBN 0 10 200381 5.

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Social and Cultural Affairs

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Social Welfare in Britain. COI, No 70/RP/80.

Criminal Statistics. England and Wales 1979. Home Office Statistics relating to Crime and Criminal Proceedings for the Year 1979. HMSO, £16·80. ISBN 0 10 180980 8.

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National Dwelling and Housing Survey—Phases II and III. The second and third phases complete the detailed national picture of housing circumstances for England, started in phase one (see pp 132-6, 1979). Up-to-date information is provided on all the non-metropolitan (shire) counties and metropolitan districts not covered in the first phase. HMSO, £25. ISBN 0 11 751487 X.

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The Scottish Sports Council: Annual Report 1979-80. Available from the Scottish Sports Council, 1 St Colme Street, Edinburgh EH3 6AA. £2.

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